

(Convenience Translation of Unconsolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Section 3.1)

Türkiye Halk Bankası Anonim Şirketi

**Unconsolidated Financial Statements
As of 30 September 2020
With Limited Review Report Thereon**
*(Convenience Translation of Unconsolidated
Financial Statements and Related Disclosures and Footnotes
Originally Issued in Turkish)*

12 November 2020

This report contains “Review Report” comprising 3 pages and; “Unconsolidated Interim Financial Statements and Related Disclosures and Footnotes” comprising 96 pages.

REPORT ON REVIEW OF UNCONSOLIDATED INTERIM FINANCIAL INFORMATION

To the General Assembly of Türkiye Halk Bankası A.Ş.

Introduction

We have reviewed the accompanying unconsolidated statement of financial position of Türkiye Halk Bankası A.Ş. (“the Bank”) as at 30 September 2020, and the unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders’ equity and unconsolidated statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Bank management is responsible for the preparation and fair presentation of the accompanying unconsolidated interim financial information in accordance with “the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Regulations” including the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Accounting Standard 34 “Interim Financial Reporting” principles for the matters not legislated by the aforementioned regulations. Our responsibility is to express a conclusion on this unconsolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Independent Auditing Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit conducted in accordance with Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Bank reclassified the government bonds amounting to TRY 18.965.006 thousand, which were previously classified under financial assets at fair value through other comprehensive income according to the business model prepared in accordance with Turkish Financial Reporting Standard (“TFRS”) 9, into financial assets measured at amortised cost and reversed the marketable securities revaluation fund accumulated under other comprehensive income or loss to be reclassified through profit or loss amounting to TRY 2.229.977 thousand on 23 May 2018. The reclassification constitutes a departure from TFRS 9 requirements. The government bonds reclassified into financial assets measured at amortised cost amounted to TRY 18.664.297 thousand as at 30 September 2020. If such classification were not made, total assets and shareholders’ equity, excluding tax effect, would have been lower by TRY 1.851.739 thousand as at 30 September 2020.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that accompanying unconsolidated interim financial information does not present fairly, in all material respects, the financial position of Türkiye Halk Bankası A.Ş. as at 30 September 2020, and of the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Regulations.

Emphasis of Matter

As detailed in Section Five Note Seven, we draw attention to the following:

On 15 October 2019, an indictment prepared by the New York Southern District Attorney General of the United States (“US”) Department of Justice for violation of Iranian sanctions and a lawsuit was filed against the Bank in the New York Southern District Court (“District Court”). The criminal lawsuit action at the District Court is ongoing.

In addition, a civil lawsuit was filed against the Bank on 27 March 2020 with a claim for compensation by some plaintiffs in the U.S. New York Southern District Court "on the grounds that they could not satisfy their judgments from Iran due to violations of sanctions" and it was served to the Bank's lawyers on 1 July 2020. The civil lawsuit action at the District Court is ongoing.

In addition, the appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is completed and the decision related to the first proceeding is approved.

At this stage, the Bank's Management stated that there were no penalty, compensation, sanction or measure arising from the ongoing criminal and civil lawsuits against the Bank. There is an uncertainty with respect to any decisions by the US authorities that may adversely affect the financial position of the Bank. No provision has been made in the accompanying unconsolidated financial statements related to these matters. Our conclusion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

Based on our review, nothing has come to our attention that causes us to believe that the unconsolidated interim financial information provided in the Management's interim report included in section seven of the accompanying unconsolidated financial statements, is not presented fairly, in all material respects, and is not consistent with the reviewed unconsolidated interim financial statements and the explanatory notes.

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 3 and the accounting principles generally accepted in countries in which the accompanying unconsolidated interim financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying unconsolidated financial statements. Accordingly, the accompanying financial statements are not intended to present the Bank's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated interim financial statements and IFRS.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

Müjde Aslan
Partner
Istanbul, 12 November 2020

TÜRKİYE HALK BANKASI AŞ
THE UNCONSOLIDATED FINANCIAL REPORT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2020

1. The Bank's Headquarter Address:
Barbaros Mahallesi Şebboy Sokak No:4/1 Ataşehir/İstanbul
2. The Bank's Contact Phone and Facsimile:
Phone : 0216 503 70 70
Facsimile : 0212 340 93 99
3. The Bank's Website and E-mail Address:
Website: www.halkbank.com.tr
E-mail Address: halkbank.ir@halkbank.com.tr

The unconsolidated nine-month period ended financial report designed by the Banking Regulation and Supervision Agency in line with Communiqué on Financial Statements to be Publicly Announced and the Accompanying Policies and Disclosures consists of the sections listed below:

- **Section One** : GENERAL INFORMATION ABOUT THE BANK
- **Section Two** : UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Three** : EXPLANATIONS ON ACCOUNTING POLICIES
- **Section Four** : INFORMATION RELATED TO FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- **Section Five** : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- **Section Six** : LIMITED REVIEW REPORT
- **Section Seven** : INTERIM ACTIVITY REPORT

The unconsolidated financial statements for the nine-month period and related disclosures and footnotes that are subject to limited review and are prepared in accordance with the Regulation on Accounting Applications for Banks and Safeguarding of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards and the related statements and guidance, and in compliance with the financial records of our Bank and, unless stated otherwise, presented in **thousands of Turkish Lira**.

Istanbul, 12 November 2020

R. Süleyman Özdil	Osman Arslan	Mevlüt Uysal	Yusuf Duran Ocak	Osman Bektaş
<i>Chairman of the Board of Directors, Chairman of the Audit Committee</i>	<i>Member of the Board of Directors, Chief Executive Officer</i>	<i>Independent Member of the Board of Directors, Member of the Audit Committee</i>	<i>Financial Management and Planning Vice Chief Executive Officer</i>	<i>Financial Accounting Department Head</i>

For any questions regarding this financial report, contact details of the personnel in charge is given below:

Name/Title : Arman Acar / Manager
Tel : 0216 503 57 19
Fax No : 0212 340 09 90

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TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK

I. ESTABLISHMENT DATE OF THE BANK, INITIAL ARTICLES OF ASSOCIATION, HISTORY OF THE BANK INCLUDING THE CHANGES OF THESE ARTICLES

Türkiye Halk Bankası Anonim Şirketi (the “Bank” or “Halkbank”) began its operations in accordance with the law no: 2284 in 1938 and still continues its activities as a public commercial bank.

II. CAPITAL STRUCTURE OF THE BANK, SHAREHOLDERS THAT RETAIN DIRECT OR INDIRECT CONTROL AND MANAGEMENT OF THE BANK SOLELY OR TOGETHER, CHANGES ABOUT THESE ISSUES DURING THE YEAR AND DISCLOSURES ABOUT THE GROUP

The capital of the Bank is controlled directly by the Türkiye Varlık Fonu.

As of 30 September 2020 the shareholders’ structure and their respective ownerships are summarized as follows:

Shareholders	30 September 2020	%	31 December 2019	%
Türkiye Varlık Fonu ⁽¹⁾	1.862.602	75,29	638.276	51,06
Public shares ⁽¹⁾	611.093	24,70	611.643	48,93
Other shareholders ⁽²⁾	81	0,01	81	0,01
Total	2.473.776	100,00	1.250.000	100,00

⁽¹⁾ The shares of the Türkiye Varlık Fonu amounting to TRY 1.224.326 are traded on the exchange.

⁽²⁾ TRY 81 of the shares included in the “Other Shareholders” group belong to shareholders whose shares do not trade on the exchange (though these shareholders have been dematerialized in their own accounts).

In accordance with the Law No: 6327 dated 13 June 2012 and 3rd sub-article added to the Article 2 of the Law No: 4603, as per the Turkish Commercial Code, the Public shares will be controlled and represented by the Minister the Bank is reporting to, until the sale procedures of the public shares are completed.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

III. EXPLANATIONS REGARDING THE BANK'S CHAIRMAN AND MEMBERS OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE MEMBERS, CHIEF EXECUTIVE OFFICER AND EXECUTIVE VICE PRESIDENTS AND THEIR SHARES ATTRIBUTABLE TO THE BANK, IF ANY

Name	Title
Recep Süleyman ÖZDİL	Chairman of the Board of Directors, Chairman of the Audit Committee
Himmet KARADAĞ	Vice Chairman of the Board of Directors, Independent Member of the Board of Directors
Osman ARSLAN	Member of the Board of Directors, Chief Executive Officer
Kerem ALKİN	Member of the Board of Directors
Meltem TAYLAN AYDIN	Member of the Board of Directors
Maksut SERİM	Member of the Board of Directors
Ebubekir ŞAHİN	Member of the Board of Directors
Sezai UÇARMAK	Member of the Board of Directors
Mevlüt UYSAL	Independent Member of the Board of Directors, Member of the Audit Committee
Yılmaz ÇOLAK	Member of the Supervisory Board
Faruk ÖZÇELİK	Member of the Supervisory Board
İlhan BÖLÜKBAŞ	Executive Vice President, Loan Allocation and Management
Ergin KAYA	Executive Vice President, Banking Operations and Support Services
Yalçın MADENCİ	Executive Vice President, Corporate and Commercial Marketing
Yusuf Duran OCAK	Executive Vice President, Financial Management and Planning
Serdar SÜRER	Executive Vice President, Treasury Management and International Banking
Hasan TUNCA Y	Executive Vice President, Retail Banking
Celal CANDAN	Executive Vice President (P.P), Credit Policies, Monitoring and Legal Follow-up

People mentioned above do not own any shares in the Bank's capital.

- a) The Bank's top management members who have assigned to their position in 2020 are listed with titles and dates of assignment.

Title	Name and Surname	Beginning Date
Member of the Board of Directors	Kerem ALKİN	12 June 2020
Member of the Board of Directors	Ebubekir ŞAHİN	12 June 2020
Executive Vice President (P.P.)	Celal CANDAN	25 September 2020

- b) The Bank's top management members who have left their position in 2020 are listed with titles and dates of leaving.

Title	Name and Surname	Leaving Date
Executive Vice President (P.P.)	Nazmi BAĞDINLI	14 February 2020
Member of the Board of Directors, Member of the Audit Committee	Mehmet Emin ÖZCAN	12 June 2020
Member of the Board of Directors, Chairman of the Audit Committee	Sadık TILTAK	12 June 2020

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE BANK

Except for the Türkiye Varlık Fonu, no person or institute has any qualified shares attributable to the Bank.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

V. EXPLANATIONS ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY

a) General information about the Bank:

Türkiye Halk Bankası Anonim Şirketi began its operations in 1938 in accordance with the Law No: 2284 and still continues its activities as a public commercial bank.

b) Law numbered 4603 regarding the “Law on Türkiye Cumhuriyeti Ziraat Bankası, Türkiye Halk Bankası Anonim Şirketi and Türkiye Emlak Bankası Anonim Şirketi”, was prepared within the framework of the macro-economic program for the period 2000-2002. The purpose of the law is to modernize the operations of the banks to arrive at a point where the requirements of the international norms and international competition can both be reached and it also aims to sell the majority of the banks' shares to individuals or legal entities in the private sector. The Bank revised its charter of establishment, elected a new board of directors and increased its nominal capital from TRY 250.000 to TRY 1.250.000 in the extraordinary general assembly held on 14 April 2001. Within the scope of the restructuring process, the Bank received government bonds in settlement of the accumulated specific duty losses and the Bank's whole specific duty loss receivable was thus eliminated as at 30 April 2001. In addition, a significant number of personnel were encouraged to sign new contracts and transferred to other government institutions.

c) According to Article 2.2 of Law No: 4603, subsequent to the completion of the restructuring procedures, the procedures involved in sale of the shares of the Bank were to be concluded under the provisions of Law No: 4046 based on the “Regulation of Privatization Applications and Amendment of Some Laws and Decrees with the Force of Law”. The procedures relating to restructuring and sale of the shares were going to be completed within three years (until 25 November 2003) as of the effective date of the related law. However, by Law No: 5230 dated 31 July 2004, the term “3 years” in Article 2.2 of Law numbered 4603 was previously amended to “5 years” and subsequently by Law No: 5572 dated 10 January 2007 the related term was amended to “10 years”. As a result of these amendments, the privatization period of the Bank was extended. The Council of Ministers has the authority to extend this period by the half of that period for one time only. The Council of Ministers extended the half of that “10 years” period as published in the Official Gazette by the Decree numbered 2010/964 and dated 6 November 2010.

As per the Higher Council of Privatization decision numbered 2006/69 dated 11 August 2006, the public shares were transferred to the Privatization Administration and 99,9% of the Bank shares were decided to be sold before 25 May 2008 using the block sale method. 13th Department of Council of State with its decision numbered 2006/4258 dated 29 November 2006 to cease the execution of the High Council of Privatization's decision numbered 2006/69 dated 11 August 2006. Thereupon, as per the decision of the Higher Council of Privatization numbered 2007/8 dated 5 February 2007, up to 25% of the public shares that were previously transferred to the Privatization Administration, were decided to be privatized by a public offering and it was decided to be concluded by the end of 2007. The first phase of the privatization process of the Bank corresponding to 24,98% was completed in the first week of May 2007 and Halkbank shares were started to trade on Borsa İstanbul AŞ as of 10 May 2007 with the base price of TRY full 8,00. As per the decision of the Higher Council of Privatization numbered 2012/150 dated 4 October 2012; 23,92% of the public shares held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

V. EXPLANATIONS ON THE BANK'S FUNCTIONS AND LINES OF ACTIVITY (continued)

- d) Under No: 25539 Law regarding the "Act No: 5230 with regards to the transfer of Pamukbank Türk Anonim Şirketi to Türkiye Halk Bankası AŞ and amendments to other acts" which came into force as published in the Official Gazette numbered 25539 dated 31 July 2004, Pamukbank (whose shares, management, and control were previously inherited to the Saving Deposit Insurance Fund ("SDIF")) was transferred to the Bank. Insolvent Pamukbank TAŞ was a private sector deposit bank established by Çukurova İthalat ve İhracat TAO, Karamehmetler limited partnership and more than 500 shareholders. Pamukbank started its private banking operations as an incorporation in accordance with the decision of the Council of Ministers numbered 4/4573 dated 5 March 1955. According to the decision of the Banking Regulation and Supervision Agency numbered 742 published in the Official Gazette numbered 24790 dated 19 June 2002 including 3rd and 4th Sub-articles in the Article 14 of the Banking Law No: 4389, the shareholders rights, excluding dividends, management and supervision of Pamukbank were transferred to the Saving Deposit Insurance Fund as of 18 June 2002.
- e) The Bank's service activities and operating areas: The Bank's operating areas include, commercial financing and corporate banking, fund management operations, retail banking and credit card operations.

As of 30 September 2020, the Bank operates with a total of 1011 branches consisting of 1005 domestic and 6 foreign branches that are 5 in Turkish Republic of Northern Cyprus and 1 in Bahrain. Domestic branches include 34 satellite branches. The Bank has also 3 representative offices in England, Singapore and Iran.

VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE INSTITUTIONS SUBJECT TO LINE-BY-LINE METHOD OR PROPORTIONAL CONSOLIDATION AND INSTITUTIONS WHICH ARE DEDUCTED FROM EQUITY OR NOT INCLUDED IN THESE THREE METHODS

The Bank's subsidiaries Halk Yatırım Menkul Değerler AŞ, Halk Gayrimenkul Yatırım Ortaklığı AŞ, Halk Finansal Kiralama AŞ, Halk Banka A.D. Skopje and its subsidiary Halk Osiguruvanje A.D. Skopje, Halk Faktoring AŞ, Halkbank A.D. Beograd and Halk Varlık Kiralama A.Ş. are included in the scope of consolidation by line-by-line method.

Demir-Halkbank NV ("Demir Halk Bank"), Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ and Turk P ve I Sigorta A.Ş which are qualified as investments in associates, are included in the financial statements based on equity method of accounting. Associates are the domestic or foreign subsidiaries which the Bank participates to equity with significant influence but without controlling interest.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION I: GENERAL INFORMATION ABOUT THE BANK (continued)

VII. THE EXISTING OR POTENTIAL, ACTUAL OR LEGAL OBSTACLES ON THE TRANSFER OF SHAREHOLDER'S EQUITY BETWEEN THE BANK AND ITS SUBSIDIARIES OR THE REIMBURSEMENT OF LIABILITIES

Immediate transfer of the equity between the Bank and its subsidiaries is not in question. Dividend distribution from equity is made according to the related regulations.

There is no existing or potential, actual or legal obstacle to the reimbursement of liabilities between the Bank and its subsidiaries. The Bank charge or pay cost of the services according to the service agreements entered into between the Bank and its subsidiaries.

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION II: UNCONSOLIDATED FINANCIAL STATEMENTS

- I. Balance Sheet (Statement of Financial Position)
- II. Statement of Off-Balance Sheet Items
- III. Statement of Profit or Loss
- IV. Statement of Profit or Loss and Other Comprehensive Income
- V. Statement of Changes in Shareholders' Equity
- VI. Statement of Cash Flows

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 September 2020			31 December 2019		
ASSETS		TRY	FC	TOTAL	TRY	FC	TOTAL
I. FINANCIAL ASSETS (NET)		60.177.849	63.105.351	123.283.200	30.196.996	39.709.838	69.906.834
1.1 Cash and Cash Equivalents		6.122.297	38.799.938	44.922.235	2.970.056	35.259.174	38.229.230
1.1.1 Cash and Balances with Central Bank	(1)	5.864.529	35.509.151	41.373.680	2.472.458	32.016.123	34.488.581
1.1.2 Banks	(3)	276.484	3.290.787	3.567.271	507.416	3.243.051	3.750.467
1.1.3 Money Markets		-	-	-	-	-	-
1.1.4 Expected Loss Provision (-)		18.716	-	18.716	9.818	-	9.818
1.2 Financial Assets at Fair Value Through Profit or Loss	(2)	16.292.424	153	16.292.577	16.266.722	64	16.266.786
1.2.1 Government Debt Securities		16.105.209	153	16.105.362	16.104.564	64	16.104.628
1.2.2 Equity Instruments		145.601	-	145.601	145.601	-	145.601
1.2.3 Other Financial Assets		41.614	-	41.614	16.557	-	16.557
1.3 Financial Assets at Fair Value Through Other Comprehensive Income	(4)	37.736.030	21.307.696	59.043.726	10.956.522	3.302.262	14.258.784
1.3.1 Government Debt Securities		36.930.329	21.129.583	58.059.912	10.275.808	3.170.818	13.446.626
1.3.2 Equity Instruments		209.949	178.113	388.062	100.631	131.444	232.075
1.3.3 Other Financial Assets		595.752	-	595.752	580.083	-	580.083
1.4 Derivative Financial Liabilities	(2)(11)	27.098	2.997.564	3.024.662	3.696	1.148.338	1.152.034
1.4.1 Derivative Financial Assets at Fair Value Through Profit or Loss		27.098	2.997.564	3.024.662	3.696	1.148.338	1.152.034
1.4.2 Derivative Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTISED COST(Net)		396.313.023	124.290.283	520.603.306	265.772.751	104.232.298	370.005.049
2.1 Loans	(5)	354.083.504	99.840.597	453.924.101	223.887.121	85.320.980	309.208.101
2.2 Lease Receivables	(10)	-	-	-	-	-	-
2.3 Factoring Receivables		-	-	-	-	-	-
2.4 Other Financial Assets Measured at Amortised Cost	(6)	58.112.449	24.449.686	82.562.135	53.297.037	18.911.318	72.208.355
2.4.1 Government Debt Securities		58.061.931	24.449.686	82.511.617	53.246.524	18.911.318	72.157.842
2.4.2 Other Financial Assets		50.518	-	50.518	50.513	-	50.513
2.5 Expected Credit Loss (-)		15.882.930	-	15.882.930	11.411.407	-	11.411.407
III. NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)	(14)	-	-	-	2.576.996	-	2.576.996
3.1 Held for Sale		-	-	-	2.576.996	-	2.576.996
3.2 Discontinued Operations		-	-	-	-	-	-
IV. EQUITY INVESTMENTS		2.629.651	2.798.780	5.428.431	1.837.784	1.911.883	3.749.667
4.1 Investments in Associates (Net)	(7)	47.493	659.978	707.471	25.115	482.671	507.786
4.1.1 Associates Valued Based on Equity Method		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		47.493	659.978	707.471	25.115	482.671	507.786
4.2 Subsidiaries (Net)	(8)	2.582.158	2.138.802	4.720.960	1.812.669	1.429.212	3.241.881
4.2.1 Unconsolidated Financial Subsidiaries		2.582.158	2.138.802	4.720.960	1.728.669	1.429.212	3.157.881
4.2.2 Unconsolidated Non- Financial Subsidiaries		-	-	-	84.000	-	84.000
4.3 Joint Ventures (Net)	(9)	-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint Ventures		-	-	-	-	-	-
V. PROPERTY AND EQUIPMENT (Net)		7.545.308	324	7.545.632	7.537.034	212	7.537.246
VI. INTANGIBLE ASSETS (Net)		562.122	-	562.122	162.053	-	162.053
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		562.122	-	562.122	162.053	-	162.053
VII. INVESTMENT PROPERTIES (Net)	(12)	354.324	-	354.324	356.027	-	356.027
VIII. CURRENT TAX ASSET		621.400	-	621.400	-	-	-
IX. DEFERRED TAX ASSET	(13)	-	-	-	-	-	-
X. OTHER ASSETS (Net)	(15)	4.647.323	628.910	5.276.233	2.514.640	236.889	2.751.529
TOTAL ASSETS		472.851.000	190.823.648	663.674.648	310.954.281	146.091.120	457.045.401

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED BALANCE SHEET AS OF 30 SEPTEMBER 2020
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

I. BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)

LIABILITIES	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 September 2020			31 December 2019		
		TRY	FC	TOTAL	TRY	FC	TOTAL
I. DEPOSITS	(1)	256.906.208	183.708.505	440.614.713	166.473.587	131.260.589	297.734.176
II. FUNDS BORROWED	(3)	424.055	11.260.859	11.684.914	530.197	10.486.644	11.016.841
III. MONEY MARKETS		102.067.273	776.378	102.843.651	50.249.750	2.951.294	53.201.044
IV. SECURITIES ISSUED (Net)	(4)	6.388.627	7.784.429	14.173.056	7.078.757	10.512.530	17.591.287
4.1 Bills		4.317.495	-	4.317.495	4.682.528	-	4.682.528
4.2 Assets Backed Securities		1.011.031	-	1.011.031	1.011.493	-	1.011.493
4.3 Bonds		1.060.101	7.784.429	8.844.530	1.384.736	10.512.530	11.897.266
V. FUNDS		3.259.341	-	3.259.341	3.209.004	-	3.209.004
5.1 Borrower Funds		-	-	-	-	-	-
5.2 Other		3.259.341	-	3.259.341	3.209.004	-	3.209.004
VI. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		-	-	-	-	-	-
VII. DERIVATIVE FINANCIAL LIABILITIES	(2)(7)	11.902	645.259	657.161	334	353.384	353.718
7.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		11.902	645.259	657.161	334	353.384	353.718
7.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VIII. FACTORING LIABILITIES		-	-	-	-	-	-
IX. LEASE LIABILITIES	(6)	660.046	33.315	693.361	525.530	54.395	579.925
X. PROVISIONS	(8)	1.847.470	-	1.847.470	1.663.354	-	1.663.354
10.1 Restructuring Provisions		-	-	-	-	-	-
10.2 Reserve for Employee Benefits		1.237.651	-	1.237.651	1.105.771	-	1.105.771
10.3 Insurance for Technical Provision (Net)		-	-	-	-	-	-
10.4 Other Provisions		609.819	-	609.819	557.583	-	557.583
XI. CURRENT TAX LIABILITY	(9)	971.876	21	971.897	1.298.409	77	1.298.486
XII. DEFERRED TAX LIABILITIES	(9)	527.778	-	527.778	309.861	-	309.861
XIII. NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	(10)	-	-	-	-	-	-
13.1 Held for Sale		-	-	-	-	-	-
13.2 Discontinued Operations		-	-	-	-	-	-
XIV. SUBORDINATED DEBT INSTRUMENTS	(11)	6.009.687	8.695.031	14.704.718	6.037.858	6.146.988	12.184.846
14.1 Loans		-	8.695.031	8.695.031	-	6.146.988	6.146.988
14.2 Other Debt Instruments		6.009.687	-	6.009.687	6.037.858	-	6.037.858
XV. OTHER LIABILITIES	(5)	28.730.032	1.292.685	30.022.717	24.623.421	1.082.612	25.706.033
XVI. SHAREHOLDERS' EQUITY	(12)	41.096.119	577.752	41.673.871	31.744.821	452.005	32.196.826
16.1 Paid-in Capital		2.473.776	-	2.473.776	1.250.000	-	1.250.000
16.2 Capital Reserves		6.742.272	146.179	6.888.451	1.088.227	60.293	1.148.520
16.2.1 Share Premium		5.776.224	-	5.776.224	-	-	-
16.2.2 Share Cancellation Profits		-	-	-	-	-	-
16.2.3 Other Capital Reserves		966.048	146.179	1.112.227	1.088.227	60.293	1.148.520
16.3 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		4.223.026	696.358	4.919.384	3.641.906	512.845	4.154.751
16.4 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		144.945	(264.785)	(119.840)	342.755	(121.133)	221.622
16.5 Profit Reserves		25.421.933	-	25.421.933	23.701.624	-	23.701.624
16.5.1 Legal Reserves		2.418.760	-	2.418.760	2.252.739	-	2.252.739
16.5.2 Status Reserves		-	-	-	-	-	-
16.5.3 Extraordinary Reserves		22.955.992	-	22.955.992	21.401.704	-	21.401.704
16.5.4 Other Profit Reserves		47.181	-	47.181	47.181	-	47.181
16.6 Income or (Loss)		2.090.167	-	2.090.167	1.720.309	-	1.720.309
16.6.1 Prior Periods' Income or (Loss)		-	-	-	-	-	-
16.6.2 Current Period Income or (Loss)		2.090.167	-	2.090.167	1.720.309	-	1.720.309
16.7 Minority Shares		-	-	-	-	-	-
TOTAL LIABILITIES		448.900.414	214.774.234	663.674.648	293.744.883	163.300.518	457.045.401

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET ITEMS
AS OF 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

II. STATEMENT OF OFF BALANCE SHEET ITEMS

OFF-BALANCE SHEET	Note	Reviewed			Audited		
		Current Period			Prior Period		
		30 September 2020	30 September 2020	TOTAL	31 December 2019	31 December 2019	TOTAL
		TRY	FC		TRY	FC	
A. COMMITMENTS AND CONTINGENCIES (I+II+III)		98.912.818	131.151.387	230.064.205	84.003.573	109.842.637	193.846.210
I. GUARANTEES AND WARRANTIES	(1)	48.481.955	58.793.853	107.275.808	40.671.074	49.246.594	89.917.668
1.1 Letters of guarantee		44.221.237	50.349.689	94.570.926	38.023.134	38.396.087	76.419.221
1.1.1 Guarantees subject to public procurement law		2.345.540	13.344.692	15.690.232	2.075.214	11.132.077	13.207.291
1.1.2 Guarantees given for foreign trade operations		-	-	-	-	-	-
1.1.3 Other letters of guarantee		41.875.697	37.004.997	78.880.694	35.947.920	27.264.010	63.211.930
1.2 Bank loans		182.512	6.186.258	6.368.770	8.260	6.953.738	6.961.998
1.2.1 Import acceptances		-	195.145	195.145	-	27.704	27.704
1.2.2 Other bank acceptances		182.512	5.991.113	6.173.625	8.260	6.926.034	6.934.294
1.3 Letters of credit		25.361	2.187.069	2.212.430	16.891	3.806.338	3.823.229
1.3.1 Documentary letters of credit		25.361	2.187.069	2.212.430	16.891	3.806.338	3.823.229
1.3.2 Other letters of credit		-	-	-	-	-	-
1.4 Guaranteed refinancing		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Purchase guarantees on marketable security issuance		-	-	-	-	-	-
1.7 Factoring guarantees		-	-	-	-	-	-
1.8 Other guarantees		4.052.845	70.837	4.123.682	2.622.789	90.431	2.713.220
1.9 Other sureties		-	-	-	-	-	-
II. COMMITMENTS		40.985.404	7.129.660	48.115.064	28.057.633	2.567.647	30.625.280
2.1 Irrevocable commitments	(1)	40.503.055	5.177.424	45.680.479	27.742.136	1.761.667	29.503.803
2.1.1 Forward asset purchase commitments		-	4.498.434	4.498.434	967.531	1.265.092	2.232.623
2.1.2 Forward deposit purchase and sale commitments		85.000	-	85.000	-	-	-
2.1.3 Capital commitments to subsidiaries and associates		-	-	-	-	-	-
2.1.4 Loan granting commitments		3.445.720	678.990	4.124.710	2.564.640	496.575	3.061.215
2.1.5 Securities underwriting commitments		-	-	-	-	-	-
2.1.6 Payment commitments for reserve deposits		-	-	-	-	-	-
2.1.7 Payment commitments for Cheques		4.010.307	-	4.010.307	3.219.679	-	3.219.679
2.1.8 Tax and fund liabilities from export commitments		116.157	-	116.157	83.156	-	83.156
2.1.9 Commitments for credit card expenditure limits		27.951.228	-	27.951.228	16.709.743	-	16.709.743
2.1.10 Commitments for credit cards and banking services promotions		22.878	-	22.878	24.943	-	24.943
2.1.11 Receivables from short sale commitments		-	-	-	-	-	-
2.1.12 Payables for short sale commitments		-	-	-	-	-	-
2.1.13 Other irrevocable commitments		4.871.765	-	4.871.765	4.172.444	-	4.172.444
2.2 Revocable commitments		482.349	1.952.236	2.434.585	315.497	805.980	1.121.477
2.2.1 Revocable loan granting commitments		-	-	-	-	-	-
2.2.2 Other revocable commitments		482.349	1.952.236	2.434.585	315.497	805.980	1.121.477
III. DERIVATIVE FINANCIAL INSTRUMENTS		9.445.459	65.227.874	74.673.333	15.274.866	58.028.396	73.303.262
3.1 Derivative financial instruments held for risk management		-	-	-	-	-	-
3.1.1 Fair value risk hedging transactions		-	-	-	-	-	-
3.1.2 Cash flow risk hedging transactions		-	-	-	-	-	-
3.1.3 Net foreign investment risk hedging transactions		-	-	-	-	-	-
3.2 Transactions for trading		9.445.459	65.227.874	74.673.333	15.274.866	58.028.396	73.303.262
3.2.1 Forward foreign currency buy/sell transactions		610.157	3.076.227	3.686.384	1.508.922	3.822.829	5.331.751
3.2.1.1 Forward foreign currency transactions-buy		276.074	2.503.367	2.779.441	779.407	1.489.169	2.268.576
3.2.1.2 Forward foreign currency transactions-sell		334.083	572.860	906.943	729.515	2.333.660	3.063.175
3.2.2 Currency and interest rate swaps		8.835.302	47.237.686	56.072.988	12.849.494	48.364.708	61.214.202
3.2.2.1 Currency swap-buy		-	9.985.358	9.985.358	432.526	15.601.222	16.033.748
3.2.2.2 Currency swap-sell		6.845.302	10.950.296	17.795.598	11.996.968	5.475.984	17.472.952
3.2.2.3 Interest rate swap-buy		995.000	13.151.016	14.146.016	210.000	13.643.751	13.853.751
3.2.2.4 Interest Rate swap-sell		995.000	13.151.016	14.146.016	210.000	13.643.751	13.853.751
3.2.3 Currency, interest rate and marketable securities options		-	3.102.625	3.102.625	916.450	2.604.064	3.520.514
3.2.3.1 Currency call options		-	1.550.754	1.550.754	457.977	1.302.273	1.760.250
3.2.3.2 Currency put options		-	1.551.871	1.551.871	458.473	1.301.791	1.760.264
3.2.3.3 Interest rate call options		-	-	-	-	-	-
3.2.3.4 Interest rate put options		-	-	-	-	-	-
3.2.3.5 Marketable securities call options		-	-	-	-	-	-
3.2.3.6 Marketable securities put options		-	-	-	-	-	-
3.2.4 Currency futures		-	-	-	-	-	-
3.2.4.1 Currency futures-buy		-	-	-	-	-	-
3.2.4.2 Currency futures-sell		-	-	-	-	-	-
3.2.5 Interest rate buy/sell futures		-	-	-	-	-	-
3.2.5.1 Interest rate futures-buy		-	-	-	-	-	-
3.2.5.2 Interest rate futures-sell		-	-	-	-	-	-
3.2.6 Other		-	11.811.336	11.811.336	-	3.236.795	3.236.795
B. CUSTODY AND PLEDGED ASSETS (IV+V+VI)		1.527.618.041	512.540.421	2.040.158.462	1.206.385.046	359.967.108	1.566.352.154
IV. CUSTODIES		674.035.246	62.906.564	736.941.810	567.016.912	50.583.195	617.600.107
4.1 Assets under management		-	-	-	-	-	-
4.2 Custody marketable securities		149.102.416	2.862.963	151.965.379	203.825.309	1.420.996	205.246.305
4.3 Cheques in collection process		18.219.600	46.518.434	64.738.034	15.390.122	31.703.135	47.093.257
4.4 Commercial notes in collection process		452.051.126	9.339.106	461.390.232	289.691.963	7.013.429	296.705.392
4.5 Other assets in collection process		-	-	-	-	-	-
4.6 Underwritten securities		-	-	-	-	-	-
4.7 Other custodies		3.761.168	1.352.427	5.113.595	4.005.722	810.205	4.815.927
4.8 Custodians		50.900.936	2.833.634	53.734.570	54.103.796	9.635.430	63.739.226
V. PLEDGED ASSETS		853.582.795	449.633.857	1.303.216.652	639.368.134	309.383.913	948.752.047
5.1 Marketable securities		6.217.389	1.396.347	7.613.736	5.413.932	1.067.288	6.481.190
5.2 Collateral notes		6.844.054	1.507.456	8.351.510	7.199.337	1.207.048	8.406.385
5.3 Commodity		25.813	-	25.813	25.813	-	25.813
5.4 Warranty		-	-	-	-	-	-
5.5 Land and buildings		636.657.021	341.266.770	977.923.791	500.960.484	251.445.308	752.405.792
5.6 Other pledged assets		170.974.612	62.266.907	233.241.519	120.638.529	42.752.213	163.390.742
5.7 Pledges		32.863.906	43.196.377	76.060.283	5.130.069	12.912.056	18.042.125
VI. ACCEPTED BILL GUARANTEES AND SURETIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET ACCOUNTS (A+B)		1.626.530.859	643.691.808	2.270.222.667	1.290.388.619	469.809.745	1.760.198.364

The accompanying notes are an integral part of these unconsolidated financial statements.

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED
30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

III. STATEMENT OF PROFIT OR LOSS

INCOME AND EXPENSES		Note	Reviewed	Reviewed	Reviewed	Reviewed
			Current Period	Prior Period	Current Period	Prior Period
			1 January- 30 September 2020	1 January- 30 September 2019	1 July - 30 September 2020	1 July - 30 September 2019
I.	INTEREST INCOME	(1)	38.224.775	35.403.362	14.229.846	12.511.611
1.1	Interest on Loans		27.825.578	27.438.476	10.075.753	9.700.583
1.2	Interest on Reserve Requirements		554	95.424	195	28.495
1.3	Interest on Banks		142.923	305.477	77.841	71.244
1.4	Interest on Money Market Transactions		-	-	-	-
1.5	Interest on Marketable Securities Portfolio		10.205.835	7.504.854	4.065.603	2.697.265
1.5.1	Fair Value Through Profit or Loss		2.041	8.293	1.095	1.695
1.5.2	Fair Value Through Other Comprehensive Income		3.029.118	1.119.325	1.385.964	391.785
1.5.3	Measured at Amortized Cost		7.174.676	6.377.236	2.678.544	2.303.785
1.6	Financial Lease Interest Income		-	-	-	-
1.7	Other Interest Income		49.885	59.131	10.454	14.024
II.	INTEREST EXPENSE (-)	(2)	21.976.139	28.588.822	8.609.610	9.692.671
2.1	Interest on Deposits		14.341.022	18.604.723	5.455.170	6.204.598
2.2	Interest on Funds Borrowed		204.177	224.924	65.981	75.347
2.3	Interest Expense on Money Market Transactions		5.038.520	7.606.476	2.267.903	2.600.664
2.4	Interest on Securities Issued		1.865.412	1.882.676	658.320	729.788
2.5	Interest on Leases		56.696	72.023	17.497	23.355
2.6	Other Interest Expenses		470.312	198.000	144.739	58.919
III.	NET INTEREST INCOME (I - II)		16.248.636	6.814.540	5.620.236	2.818.940
IV.	NET FEES AND COMMISSIONS INCOME		1.959.605	2.049.620	695.147	713.217
4.1	Fees and Commissions Received		2.605.474	2.899.466	957.288	1.005.706
4.1.1	Non - cash Loans		673.901	694.861	274.975	235.510
4.1.2	Other	(11)	1.931.573	2.204.605	682.313	770.196
4.2	Fees and Commissions Paid (-)		645.869	849.846	262.141	292.489
4.2.1	Non - cash Loans		238	125	202	57
4.2.2	Other	(11)	645.631	849.721	261.939	292.432
V.	DIVIDEND INCOME		510.776	421.655	3.658	327
VI.	TRADING INCOME / LOSS (Net)	(3)	(5.632.152)	(2.691.407)	(3.197.797)	(845.682)
6.1	Trading Gains / (Losses) on Securities		47.783	192.232	4.333	160.826
6.2	Gains / (Losses) on Derivate Financial Transactions		3.486.976	(2.236.343)	1.783.455	(2.183.785)
6.3	Foreign Exchange Gains / (Losses)		(9.166.911)	(647.296)	(4.985.585)	1.177.277
VII.	OTHER OPERATING INCOME	(4)	1.117.748	2.046.174	363.797	174.442
VIII.	GROSS OPERATING INCOME (III+IV+V+VI+VII)		14.204.613	8.640.582	3.485.041	2.861.244
IX.	EXPECTED LOSS PROVISIONS (-)	(5)	5.811.858	3.182.986	1.570.711	700.216
X.	OTHER PROVISION EXPENSES (-)	(5)	25.846	21.215	(205.654)	20.737
XI.	PERSONNEL EXPENSE (-)		2.705.424	2.093.242	829.541	803.306
XII.	OTHER OPERATING EXPENSES (-)	(6)	3.106.666	2.487.979	1.050.260	865.916
XIII.	NET OPERATING INCOME /LOSS (VIII-IX-X-XI-XII)		2.554.819	855.160	240.183	471.069
XIV.	INCOME AFTER MERGER		-	-	-	-
XV.	INCOME / (LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD		-	-	-	-
XVI.	INCOME / (LOSS) ON NET MONETARY POSITION		-	-	-	-
XVII.	PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(7)	2.554.819	855.160	240.183	471.069
XVIII.	TAX PROVISIONS FOR CONTINUED OPERATIONS (±)	(8)	(464.652)	68.590	74.823	(162.756)
18.1	Current Tax Provision		193.001	9.425	(917.188)	3.002
18.2	Deferred Tax Income Effect (+)		1.116.812	677.097	735.903	157.645
18.3	Deferred Tax Expense Effect (-)		845.161	755.112	(106.462)	(2.109)
XIX.	CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVII+XVIII)	(9)	2.090.167	923.750	315.006	308.313
XX.	INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1	Income from Non-Current Assets Held for Sale		-	-	-	-
20.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3	Income from Other Discontinued Operations		-	-	-	-
XXI.	EXPENSES FOR DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1	Expenses for Non-current Assets Held for Sale		-	-	-	-
21.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3	Expenses for Other Discontinued Operations		-	-	-	-
XXII.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII.	TAX PROVISION FOR DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1	Current Tax Provision		-	-	-	-
23.2	Deferred Tax Expense Effect (+)		-	-	-	-
23.3	Deferred Tax Income Effect (-)		-	-	-	-
XXIV.	PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XXII+XXIII)		-	-	-	-
XXV.	NET PROFIT/(LOSS) (XIX+XXIV)	(10)	2.090.167	923.750	315.006	308.313
25.1	Profit / (Loss) of Group		2.090.167	923.750	315.006	308.313
25.2	Profit / (Loss) of Minority Shares (-)		-	-	-	-
	Profit / (Loss) Per Share (full TRY)		1,1362343	0,7390000	0,1273381	0,2466504

The accompanying notes are an integral part of these unconsolidated financial statements

TÜRKİYE HALK BANKASI AŞ**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

IV. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Reviewed	Reviewed
	Current Period	Prior Period
	1 January - 30 September 2020	1 January – 30 September 2019
STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY		
I. CURRENT PERIOD INCOME/LOSS	2.090.167	923.750
II. OTHER COMPREHENSIVE INCOME	423.171	341.664
2.1 Not Reclassified Through Profit or Loss	764.633	95.062
2.1.1 Property and Equipment Revaluation Increase/Decrease	(8.616)	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss	-	-
2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss	772.387	95.062
2.1.5 Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	862	-
2.2 Reclassified Through Profit or Loss	(341.462)	246.602
2.2.1 Foreign Currency Translation Differences	9.363	(3.383)
2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	(403.697)	248.430
2.2.3 Cash Flow Hedge Income/Loss	-	-
2.2.4 Foreign Net Investment Hedge Income/Loss	-	-
2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Loss	-	-
2.2.6 Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	52.872	1.555
III. TOTAL COMPREHENSIVE INCOME (I+II)	2.513.338	1.265.414

The accompanying notes are an integral part of these unconsolidated financial statements

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020
(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

V. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss					Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Current Period Profit or (Loss) Reviewed (1 January – 30 September 2019)	Total Equity Expect Minority Shares	Minority Shares	Total Equity		
	Paid in Capital	Share Premiums	Share Cancellat ion Profits	Other Capital Reserves	Accumulated Revaluation Increase/Dec rease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other(Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)					Profit Reserves	Prior Period Profit or (Loss)
Reviewed (1 January – 30 September 2019)																
I. Prior Period End Balance	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	1.230.674	1.324.802	9.543	1.695.865	(1.454)	(190.319)	-	20.475.295	704.534	2.521.795	29.020.735	-	29.020.735
IV. Total Comprehensive Income	-	-	-	-	-	-	95.062	(3.383)	249.985	-	-	-	923.750	1.265.414	-	1.265.414
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	-	-	(83.576)	-	-	-	-	-	-	-	2.521.795	(2.521.795)	(83.576)	-	(83.576)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	3.226.329	(3.226.329)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.250.000	-	-	1.147.098	1.324.802	9.543	1.790.927	(4.837)	59.666	-	23.701.624	-	923.750	30.202.573	-	30.202.573
Reviewed (1 January – 30 September 2020)																
I. Prior Period End Balance	1.250.000	-	-	1.148.520	1.364.725	(59.859)	2.849.885	(5.846)	227.468	-	23.701.624	-	1.720.309	32.196.826	-	32.196.826
II. Corrections and Accounting Policy Changes Made According to TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	1.148.520	1.364.725	(59.859)	2.849.885	(5.846)	227.468	-	23.701.624	-	1.720.309	32.196.826	-	32.196.826
IV. Total Comprehensive Income	-	-	-	-	(7.754)	-	772.387	9.363	(350.825)	-	-	-	2.090.167	2.513.338	-	2.513.338
V. Capital Increase by Cash	1.223.776	5.776.224	-	-	-	-	-	-	-	-	-	-	-	7.000.000	-	7.000.000
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Share	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase / Decrease by Other Changes	-	-	-	(36.293)	-	-	-	-	-	-	-	1.720.309	(1.720.309)	(36.293)	-	(36.293)
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	1.720.309	(1.720.309)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	1.720.309	(1.720.309)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	2.473.776	5.776.224	-	1.112.227	1.356.971	(59.859)	3.622.272	3.517	(123.357)	-	25.421.933	-	2.090.167	41.673.871	-	41.673.871

The accompanying notes are an integral part of these unconsolidated financial statements

TÜRKİYE HALK BANKASI AŞ
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

VI. STATEMENT OF CASH FLOWS

	Reviewed	Reviewed
	Current Period	Prior Period
Dipnot	1 January- 30	1 January- 30
	September 2020	September 2019
A. CASH FLOWS FROM BANKING OPERATIONS		
1.1 Operating profit before changes in operating assets and liabilities	(5.901.988)	(4.455.010)
1.1.1 Interest received	30.970.303	30.685.948
1.1.2 Interest paid	(21.983.751)	(28.525.718)
1.1.3 Dividend received	510.776	421.655
1.1.4 Fees and commissions received	3.335.056	2.886.871
1.1.5 Other income	522.419	929.992
1.1.6 Collections from previously written off loans	1.253.269	1.075.605
1.1.7 Cash payments to personnel and service suppliers	(2.740.114)	(2.125.550)
1.1.8 Taxes paid	(1.033.140)	(609.298)
1.1.9 Other	(16.736.806)	(9.194.515)
1.2 Changes in Assets and Liabilities Subject to Banking Operations	45.346.790	5.756.007
1.2.1 Net Increase / decrease in financial assets at fair value through profit or loss	(26.150)	53.994
1.2.2 Net (increase) / decrease in due from banks	(2.318)	(4.708)
1.2.3 Net (increase) / decrease in loans	(147.418.901)	(45.691.398)
1.2.4 Net (increase) / decrease in other assets	(6.150.981)	(5.017.622)
1.2.5 Net increase / (decrease) in bank deposits	8.562.499	(6.350.316)
1.2.6 Net increase / (decrease) in other deposits	134.542.664	41.282.784
1.2.7 Net Increase / decrease in financial liabilities at fair value through profit or loss	-	-
1.2.8 Net increase / (decrease) in funds borrowed	316.298	(1.184.385)
1.2.9 Net increase / (decrease) in matured payables	-	-
1.2.10 Net increase / (decrease) in other liabilities	55.523.679	22.667.658
I. Net cash provided from banking operations	39.444.802	1.300.997
B. CASH FLOWS FROM INVESTMENT ACTIVITIES		
II. Net cash provided from/ (used in) investing activities	(43.998.006)	(17.955.625)
2.1 Cash paid for purchase of joint ventures, associates and subsidiaries	(148.506)	(91.724)
2.2 Cash obtained from sale of entities joint ventures, associates and subsidiaries	-	39.375
2.3 Fixed assets purchases	(218.553)	(154.814)
2.4 Fixed assets sales	1.236.347	318.401
2.5 Cash paid for purchase of financial assets at fair value through other comprehensive income	(52.094.725)	(13.910.403)
2.6 Cash obtained from sale of financial assets at fair value through other comprehensive income	9.941.300	7.963.568
2.7 Cash paid for purchase of investment securities	(14.619.589)	(14.334.243)
2.8 Cash obtained from sale of investment securities	12.365.622	2.206.682
2.9 Other	(459.902)	7.533
C. CASH FLOWS FROM FINANCING ACTIVITIES		
III. Net cash flow from financing activities	2.010.106	7.306.155
3.1 Cash obtained from loans borrowed and securities issued	10.349.650	12.227.983
3.2 Cash used for repayment of loans borrowed and securities issued	(15.146.939)	(4.471.938)
3.3 Bonds issued	7.000.000	-
3.4 Dividends paid	-	-
3.5 Payments for leases	(192.605)	(187.506)
3.6 Other	-	(262.384)
IV. Effect of change in foreign exchange rate on cash and cash equivalents	5.637.535	1.208.798
V. Net increase / (decrease) in cash and cash equivalents	3.094.437	(8.139.675)
VI. Cash and cash equivalents at beginning of the period	24.122.353	23.631.619
VII. Cash and cash equivalents at end of the period	27.216.790	15.491.944

The accompanying notes are an integral part of these unconsolidated financial statement

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Bank prepares its financial statements in accordance with the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board (“BRSA”) and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards published by the Public Oversight Accounting (“POA”) and Auditing Standards Authority (“POA”) for the matters not regulated by the aforementioned legislations.

The accompanying unconsolidated financial statements are prepared in accordance with the historical cost basis except for financial assets and liabilities carried at fair value. Amounts expressed in thousand Turkish Lira (“TRY”) unless otherwise stated.

Accounting policies and valuation principles used in the preparation of financial statements, have been determined and implemented in accordance with accounting and financial reporting principles in scope of the regulations, communiqués, explanations and circulars issued by the BRSA and for the matters not legislated by the aforementioned regulations, in accordance with TAS / TFRS principles (all together referred to as “BRSA Accounting and Financial Reporting Regulations”) issued by the POA.

Effects of COVID-19

In December 2019, a new type of coronavirus (COVID-19) which emerged in Wuhan city of China, caused fatal respiratory diseases all over the world and named as global outbreak by the World Health Organization on 11 March 2020. Various measures have been taken all over the world in order to avoid the negative effects of the disease that has become a pandemic, and due to the measures taken, there have been a recession in economies.

In order to be protected from the effects of the pandemic, Banking Regulation and Supervision Agency (“BRSA”), Central Bank of Republic of Turkey (“CBRT”), Capital Markets Board of Turkey (“CMB”) and The Banks Association of Turkey (“TBA”) have taken various decisions regarding the banking sector in our country. These measures, which closely concern the banking sector, are listed below in general.

1. With the order made by the BRSA on 17 March 2020 in Regulation on Provisions, the delinquency period for the classification of loans as non-performing has been extended from 90 days to 180 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks’ own risk models.

2. With the order made by the CBRT on 17 March 2020, foreign currency reserve deposit ratios for the banks whose credit growth rate is at qualified reference interval have been decreased by 500 basis points.

3. With the decision made by the TBA on 19 March 2020, it has been recommended that loan demands of the affected firms should be swiftly evaluated and met, credit access and terms should be improved, credit channels should be maintained, and a certain flexibility should be introduced in terms of due dates, installments and assurances regarding the clients whose income-expenditure balance is affected by the pandemic outbreak.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION (continued)

Effects of COVID-19 (continued)

4. With the decision made by the BRSA on 23 March 2020, banks are entitled to use the buying exchange rate used in preparation of financial statements as of 31 December 2019 when calculating the amount subject to credit risk for calculating the revalued amounts as per the Turkish Accounting Standards and related specific reserves, excluding the foreign currency assets measured at historical cost; and it has been decided that banks may calculate the equity amount to be used for CAR by disregarding the negative revaluation differences of the securities classified under Financial Assets Measured at Fair Value through Other Comprehensive Income portfolio before 23 March 2020 and disregard the provision for fair value decrease on securities for calculating the net foreign currency position.

5. With the decision of the BRSA dated 26 March 2020, it has been decided to exempt Banks from their obligations to meet the Liquidity Coverage Ratio.

6. With the amendments made by the BRSA on the Regulation on Provisions on 27 March 2020, transfer period to loans under close monitoring has been extended from 30 days to 90 days until 31 December 2020 and Expected Credit Loss provisions for the loans classified as First Group Loans of a Standard Nature within the scope of TFRS 9 are decided to be continued according to the banks' own risk models.

7. With the decision of the BRSA dated 16 April 2020, it has been decided to apply 0% risk weight for the FC nominated receivables from the Centralized Administration of Turkish Republic within the scope of CAR regulation.

The Bank has arranged its activities within the scope of the above-mentioned decisions and extended the period regarding the classification of loans under follow-up from 90 days to 180 days and classification of loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions were continued to be set within the framework of the Bank's risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in Expected Credit Loss for Significant Increase in Credit Risk (Stage 2) have been calculated. However, in order to follow the financial effects that may arise after the decision will be repealed, monitoring is performed for loans and their ECLs that may arise in case of related stage changes.

As regards to the consideration of macroeconomic factors, the Bank regularly evaluates scenario weights and macroeconomic factors in its model and if deemed necessary, makes additional provision through individual assessment due to the fact that the effects of the pandemic are still being experienced.

The possible effects of the outbreak on the Bank's financial statements are regularly monitored by the relevant Units and the Bank Management.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

II. EXPLANATIONS ON THE STRATEGY OF USE OF FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS

a) The Bank's strategy on financial instruments:

Due to its historical mission, the Bank focuses on granting loans to Small and Medium Size Enterprises (SMEs) and craftsmen besides corporate, commercial and individual segmented firms. In addition to the main fund source deposits, the Bank can raise funds from money markets and borrowings abroad.

The Bank follows the developments in the markets and uses funds raised in most yielding areas. The strategies of the Bank are evaluated Asset and Liability Committee meetings.

b) The Bank's explanations on foreign currency transactions:

In the statutory records of the Bank, transactions accounted in foreign currencies (currencies except for TRY) are converted into TRY by using the prevailing exchange rates at the transaction dates. Foreign currency monetary asset and liability items are converted into TRY by using the prevailing exchange rate at the balance sheet date. Non-monetary items in foreign currencies carried at fair value are converted into TRY by using the exchange rates at the date of which the fair value is determined. Exchange differences arising from the conversions of monetary foreign currency items and settlements of foreign currency transactions are reflected to the statement of profit or loss.

The financial statements of the foreign branches of the Bank are prepared in the currency of the primary economic environment in which the entity operates (functional currency). The financial statements of foreign branches are expressed in TRY which is the functional currency of the Bank and the presentation currency of the financial statements.

Assets and liabilities of the foreign branches of the Bank are converted into TRY by using the prevailing exchange rates at the balance sheet date. Income and expenses are converted by at exchange rates at the dates of the transactions.

The Bank started to apply fair value hedge accounting as at 1 July 2015 by designating the exchange rate risk of Halkbank A.D. Beograd (subsidiary), Halk Banka A.D. Skopje (subsidiary), Demirhalkbank NV (associate), foreign investments that are recognized under fair value accounting as hedged item, in compliance with TAS 39 standard. Accordingly, the effective portion of the foreign exchange differences is recorded under statement of profit or loss in the current period.

III. EXPLANATIONS ON ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

Associates and subsidiaries are accounted for the "Turkish Accounting Standard on Separate Financial Statements Standard" (TAS 27), "Turkish Accounting Standard for Investments in Associates and Joint Ventures" (TAS 28) and TFRS 9 "Financial instruments: Turkish Financial Reporting Standards" in unconsolidated financial statements.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS

Derivative transactions of the Bank consist of foreign currency and interest rate swaps, cross currency swaps, options and forwards. The bank uses derivatives to avoid economical risks and account for as trading under TFRS 9 Standard as "Changes in Fair Value through Profit or Loss".

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE PRODUCTS (continued)

Pledges arising from derivative transactions recorded in off-balance sheet accounts with their agreement amounts. Derivative transactions are valued at their fair values and the changes in their fair values are recorded on balance sheet under “derivative financial assets” or “derivative financial liabilities”, respectively depending on the fair values being positive or negative. Fair value changes of derivative instruments are recorded under statement of profit or loss in the gains and losses on derivative financial transactions line. Fair values of derivatives are calculated using discounted cash flow model or market value.

Explanations related to credit derivatives and its risk exposures:

The Bank has credit termly derivative transactions as part of its trading transactions. These transactions include credit default swaps which based on treasury of Turkish Republic’s credit risk. As of 30 September 2020, the Bank has credit default conditioned cross currency swap transaction amounting to USD 310 million with 5 year maturity. In this transactions the Bank sells protection.

V. EXPLANATIONS ON INTEREST INCOME AND EXPENSES

Interest income and expenses are recognized on an accrual basis using the effective interest method (the rate that equals the future cash flows of a financial asset or liability to its present net book value) in conformity with TFRS 9 Standard.

VI. EXPLANATIONS ON FEE AND COMMISSION INCOME AND EXPENSES

Banking service income is recorded in the income in the period when they are collected. Prepaid fees and commission income obtained from cash and non-cash loans are recorded in the related period by using discounting method with internal rate of return according to the loan maturity within the matching principle.

Fee and commission expenses on borrowings that are paid to other institutions and incorporations for financial liabilities comprise operational costs. These fee and commission expenses are booked under prepaid expenses and transferred to expense accounts in the related periods by using the straight accrual method according to the financial borrowing maturity within the matching principle.

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial instruments comprise financial assets, financial liabilities and derivative instruments. The financial assets are included in the balance sheet of the Bank, if the Bank is a legal party of these financial assets.

Financial assets mainly constitute the majority of the commercial activities and operations of the Bank. These instruments have the ability to expose, affect and diminish the risks of liquidity, credit and interest in the financial statements.

Fair value is the amount for which an asset could be exchanged or a liability could be settled, between knowledgeable willing parties in an arm’s length transaction. Market value is the amount obtainable from the sale or payable on the acquisition of a financial instrument in an active market, if one exists.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

The estimated fair values of financial assets have been determined by the Bank using the available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Hence, estimations presented in this report may not be same with the prices in the current market conditions in the case of assets disposals. Book values of some financial assets (which equals to their costs) are assumed to approximate to their fair values due to their short term nature.

Classification of the category of a financial instrument at initial recognition depends on both the business model for managing the financial assets and their contractual cash flow characteristics.

Assessment of Business Model

The Bank classifies its financial assets in accordance with TFRS 9 through its business model which is used for financial assets management.

The Bank's business model is related with how the Bank manages its financial assets to generate cash flows. In other terms, the source of cash flows depends on the Bank's business model whether the cash flow is generated from contractual terms or through sale of financial asset or both. Classification of financial assets is made at initial recognition considering the aim of purchase of the financial asset. The Bank's business models are classified in three main categories in accordance with TFRS 9.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Assessment of Business Model (continued)

1. A business model whose objective is to hold assets in order to collect contractual cash flows:

A business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. The purpose of the business model does not require to hold to collect the contractual cash flows of the instruments over their life, even the aim of the business model is to hold the instruments up to maturity for the contractual cash flows. Therefore, even when financial asset sales are anticipated or expected to occur in the future, the business model may still be a model that aims to retain financial assets in order to collect contractual cash flows.

The financial assets that are held within the scope of this business model are measured at amortized cost when the contractual terms of the financial assets meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. A business model whose objective is achieved by both collecting contractual cash flows and selling financial assets:

The Bank may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Fair value changes of the financial assets that are held within the scope of this business model are accounted for under other comprehensive income when the contractual terms of the financial asset meet the condition of giving rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. Other Business Models:

Financial assets are measured at fair value through profit or loss if they are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Bank makes its decisions on the basis of business model, which is based on the fair value of the assets and manages the assets to obtain their fair value. Therefore, if the financial assets are held for the purpose of obtaining cash flows arising from their sale, the change in fair value are measured at fair value through profit or loss.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities

As of 1 January 2018, the Bank classified all its financial assets based on the business model for managing the financial assets. Accordingly, the financial assets are classified as per TFRS 9 in three main categories listed below:

1. Financial assets measured at amortized cost,
2. Financial assets measured at fair value through other comprehensive income
3. Financial assets measured at fair value through profit/loss.

TFRS 9, explains how financial assets are classified in accordance with methods explained in Article 1 and 2 and other than these financial assets, remaining financial assets are classified in accordance with the method detailed in Article 3.

In addition, the Bank's securities portfolio includes government bonds indexed to consumer prices (CPI), which are valued and accounted for based on the effective interest method based on the index calculated by taking into account the real coupon rates and the reference inflation index at the issue date and the estimated inflation rate. The reference indices used in the calculation of the actual coupon payment amounts of these assets are generated according to the CPI of previous two months announced by the T.R Ministry of Treasury and Finance. The Bank determines the estimated inflation rate accordingly. The inflation rate estimated by taking into consideration the expectations of the T.R. Central Bank and the Bank's expectations is updated during the year when deemed necessary.

1. Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met:

- (a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

2. Financial Assets Measured at Fair Value through Other Comprehensive Income

A financial asset is measured if both of the following conditions are met:

- (a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- (b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (continued)

Measurement Categories of Financial Assets and Liabilities (continued)

3. Financial Assets Measured at Fair Value through Profit or Loss

According to TFRS 9, the financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

Cash Equivalents and Banks

Cash and bank balances denominated in foreign currencies are valued by using the Bank's current period end exchange rates. The presented values of cash in TRY, foreign currency cash and banks at balance sheet are the estimated fair values of these assets.

Loans and Receivables

Loans and receivables represent unquoted financial assets in an active market that provide money, goods or services to the debtor with fixed or determinable payments.

Loans and receivables are initially recognized with their fair values including settlement costs and carried at their amortized costs calculated using the internal rate of return subsequent to recognition. Transaction fees, dues and other expenses paid for loan guarantees are recognized under the profit and loss accounts.

Consumer and corporate cash loans are recognized under the accounts specified by the Uniform Chart of Accounts and Explanations with their original balances based on their context.

Foreign currency indexed consumer and corporate loans are followed at TRY accounts after converting into TRY by using the opening exchange rates. At the subsequent periods, increases and decreases in the loan capital are recognized under the foreign exchange gain and loss line in the statement of profit or loss depending on foreign currency rates being higher or lower than opening date rates.

Repayments are calculated using the exchange rates at the repayment dates and exchange differences are recognized under the foreign exchange gain and loss line in the statement of profit or loss.

Associates and subsidiaries:

As of 1 January 2012, the Bank changed its accounting policy of Turkish Lira denominated subsidiaries, and as of 18 June 2015 the Bank changed its accounting policy of foreign currency denominated subsidiaries and associates, and started to measure related subsidiaries and associates with their fair values. Foreign currency denominated associates and subsidiaries are converted into TRY by using the exchange rates at the date of which the fair value is determined. Fair values of the subsidiaries, whose shares are unquoted on an active market (stock exchange) are determined with the valuation reports that are prepared by an independent valuation company and fair values of the subsidiaries, whose shares are quoted on an active market (stock exchange) are determined by taking into account values at stock exchange, and valuation differences are added to the subsidiaries values and correspondingly recorded in the "Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss" under the shareholders' equity.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

As of 1 January 2018, the Bank recognizes loan loss allowances for expected credit losses on financial assets and loans measured at amortised cost and measured at fair value through other comprehensive income, loan commitments and financial guarantee contracts not measured at fair value through profit / loss based on TFRS 9 and the regulation published in the Official Gazette no. 29750 dated 22 June 2016 in connection with “Procedures and Principals regarding Classifications of Loans and Allowances Allocated for Such Loans” effective from 1 January 2018. Financial assets measured at fair value are not assessed for impairment.

As of the reporting date, the Bank assesses whether the credit risk on a financial instrument has increased significantly since initial recognition in accordance with TFRS 9. When making the assessment, the Bank shall use the change in the risk of a default occurring for the financial instrument.

As of the reporting date, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Bank shall measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. However, if there is a significant increase in credit risk of a financial instrument since initial recognition, the Bank measures loss allowance regarding such instrument at an amount equal to lifetime expected credit losses.

The Bank calculates the expected credit loss on a collective or individual basis by grouping the financial assets having common credit risk features.

The Bank constituted a policy in order to make an assessment whether the credit risk on a financial instrument has increased significantly since initial recognition by taking into consideration the change in the risk of a default event occurring over the expected life of the financial instrument.

Calculation of Expected Credit Losses

A credit loss is present value of calculated difference between the total cash flows that will occur based on the contractual terms of financial instruments and the total cash flows, which the Bank expects to collect, with the initial effective interest rate. The Bank calculates expected credit losses based on a probability – weighted estimate of credit losses (the present value of all cash shortfalls) over the expected life of the financial instruments. The Bank estimates the cash flows over the expected life of the financial instrument by taking into account all contractual terms of the financial instrument, and considers the weighted average of loan losses according to the relevant default risks for determining expected credit losses.

TFRS 9 Financial Instruments Standard allows the calculation of expected credit loss provisions in aggregate or individually by grouping financial assets with common credit risk characteristics.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Probability of Default (PD)

It is defined as the probability that the debtor does not fulfill its obligations to the bank or in other words it can not repay its debts to the bank. This ratio is calculated for each loan based on various statistical assumptions depending on the maturity, internal behavioral model, external behavioral model and financial module data. The probability values take a value between 0 and 1, and as the probability value increases, the likelihood of the credit defaulting increases.

Loss given Default (LGD)

This is the parameter indicates the expected economic loss of the bank if the credit defaults. In the case of the credit defaults and the Bank collects the entire amount of the default, LGD is zero, in the case of no collection, LGD is 100%. LGD rates are reviewed on a maximum of 1 year basis.

Exposure at Default (EAD)

It is the parameter that indicates how much of a loan will default. The default amount for a spot or installment loan is the amount, which is listed on the payment schedule at the time of default. Additionally, the default amount for the credit cards and limit gaps of overdraft accounts and non-cash loans, are calculated with a parameter called credit conversion factor (CCF). The default risk amount in the future is estimated by calculating by the statistical methods with the credit conversion rate, since it is not known at the time of loan origination due to undrawn commitment for limit of credit cards and overdraft accounts.

12 Month Expected Credit Losses

It is the estimated expected credit losses occurring within the next 12 months following the balance sheet date. According to Article 5.5.5 of TFRS 9 standard, in the case of that there is no significant increase in credit risk of a financial instrument since its first recognition, the Bank shall measure at the provision for loss of the related financial instrument as equal as 12 month expected credit losses.

In the case of a customer or a loan that is classified under Standard Loans (Stage I), the provision for loan is calculated on 365 days even if the maturity of the loan is above 1 year. In the case of maturity of the loan is under 1 year, number of days left to maturity (except revolving loans and credit cards) are used in calculations.

Lifetime Expected Credit Losses

It is the estimated probability of default occurring over the remaining life of the financial instrument. According to TFRS 9 standard, in case of a significant increase in credit risk for a financial instrument since its initial recognition, the Bank shall measure provision for loss of related financial instrument as equal as expected lifetime expected credit loss amount.

In the case of a customer or loan is classified as Stage 2 and / or Stage 3, the provision for expected credit loss is measured at the lifetime probability of default. Despite the fact that the methods for used calculation for provision of expected credit loss are similar for Stage 2 and Stage 3 loans, the probability of default for Stage 3 credits is accepted as 100%.

TFRS 9 Standard does not include a direct definition of default, but requires a consistent definition of default to be used in credit risk management. The Bank is considering qualitative indicators (e.g. financial commitments), if appropriate, when defining a default according to TFRS 9, for the purpose of determining the risk of business default and adopts a definition of default, consistent with the definition used for in-house credit risk management purposes for the relevant financial instruments. However, there is a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless an entity has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (continued)

Lifetime Expected Credit Losses (continued)

“The definition of default used for these purposes applies consistently to all financial instruments unless information can be obtained that demonstrates that another definition of default is more appropriate for a particular financial instrument.” in line with the Communiqué on Calculation of the Risk Weighted Exposure Amount for Credit Risk by Internal-ratings Based Approaches assumes that debt defaulted if at least one of the following two conditions occurs.

a) Considering that a debtor is unlikely to pay credit obligations to the Bank and to the Bank’s consolidated financial subsidiaries without using guarantees

b) Considering that a debtor having past due more than 90 days to the Bank or its consolidated financial subsidiaries

The expected loan loss provision for the loans classified as non-performing loans (Stage 3) is calculated using the estimation of loss given default (LGD). Aforementioned estimation is based on the historical data on a segment basis and determined by the principle loss charge, being the remaining amount after the collection made within the period after each segment has defaulted.

Within the scope of the measures taken by the BRSA in order to reduce the effects of the COVID-19 outbreak, the delinquency period of classification to loans under follow-up has been extended from 90 days to 180 days until 31 December 2020 and the Expected Credit Loss provisions for the loans classified as Second Group Loans Under Close Monitoring within the scope of TFRS 9 are decided to be continued according to the banks’ own risk models. In this context, the Bank extended the delinquency period for classification to loans under follow-up from 90 days to 180 days and for classification to loans under close monitoring from 30 days to 90 days. As stated in the BRSA announcement for the mentioned loans, provisions are continued to be set within the framework of the Bank’s risk model, for loans overdue 30-90 days in 12-Month Expected Credit Loss Provision (Stage 1), and for loans overdue 90-180 days in Expected Credit Loss for Significant Increase in Credit Risk (Stage 2) have been calculated.

Low Credit Risk

TFRS 9 standard states that in some cases, the credit risk on a financial instrument can be calculated as low if the financial instrument has a low risk of default when there is no reliable past default data.

If the entity determines that a financial instrument has a low credit risk as of the reporting date, it assumes that the credit risk on the financial instrument has not increased significantly following its initial recognition in the financial statement. Those transactions in the Bank are classified as follows:

a) CBRT transactions (Currencies held in CBRT and reserve requirements)

b) Securities (Fair value through other comprehensive income and financial assets measured at amortised cost)

c) Treasury Loans

d) Loans guaranteed by Treasury of Republic of Turkey

The Rules of Significant Increase in Credit Risk

Significant increase in credit risk requires measurement of the Bank’s provision for expected credit losses at lifetime probability of default instead of 12 month expected credit loss.

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to stage two.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

IX. EXPLANATIONS ON OFFSETTING FINANCIAL INSTRUMENTS

A financial asset and a financial liability shall be offset and the net amount shall be presented in the balance sheet only when a party currently has a legally enforceable right to set off the recognized amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS (REPOS) AND TRANSACTIONS ON SECURITIES LOANED

Marketable securities subject to repurchase agreements are valued according to the valuation principles of the related portfolios.

Funds obtained from the repurchase agreements are recognized under "Funds Obtained from Money Market" account in liabilities. For the difference between the sale and repurchase prices determined by the repo agreements for the period; expense accrual is calculated using the internal rate of return method.

Reverse repo transactions are recognized under the "Receivables from Money Markets" account. For the difference between the purchase and resale prices determined by the reverse repo agreements for the period; income accrual is calculated using the internal rate of return method.

XI. EXPLANATIONS ON ASSETS HELD FOR SALE, ASSETS OF DISCONTINUED OPERATIONS AND RELATED LIABILITIES

Assets that meet the criteria to be classified as held for sale are measured at carrying amount and depreciation of such assets is ceased and they are presented separately in the balance sheet. In order to classify an asset as held for sale, the asset (or the disposal group) should be available for an immediate sale in its present condition subject to the terms of any regular sales of such assets (or such disposal groups) and the sale should be highly probable. For a highly probable sale, the appropriate level of management must be committed to a plan to sell the asset (or the disposal group), and an active program to complete the plan should be initiated to locate a customer. Also, the asset (or the disposal group) should have an active market sale value, which is a reasonable value in relation to its current fair value. Events or circumstances may extend the completion of the sale more than one year.

Such assets are still classified as held for sale if there is sufficient evidence that the delay in the sale process is due to the events and circumstances occurred beyond the control of the entity or the entity remains committed to its plan to sell the asset (or disposal group).

A discontinued operation is a component of a bank that either has been disposed of, or is classified as held for sale. Gains or losses relating to discontinued operations are presented separately in the statement of profit or loss.

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As at the balance sheet date, there is no goodwill recorded in the unconsolidated balance sheet of the Bank.

Intangible assets that are purchased prior to 1 January 2005 are carried at their restated historical costs and intangible assets that are purchased in the subsequent periods are carried at their historical cost, less any accumulated amortization and any impairment losses. Intangible assets are amortized by using the straight line method based on their useful lives. Amortization method and period are assessed periodically at the end of each year. Intangible assets consist of software expenses and they are amortized by using the straight line method over 5 years. There is no significant change in the accounting estimates expected or to be expected having a significant effect on the amortization method, amortization period or residual value.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIII. EXPLANATIONS ON PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment except buildings that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Property, plant and equipment are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

As of 1 April 2015, the Bank adopted the revaluation method for buildings in tangible assets in accordance with the Standard on Property, Plant and Equipment (TAS 16). Expertise values determined by independent appraisal companies are reflected to the financial statements. Revaluation differences are recorded in shareholders' equity.

Ordinary maintenance and repair expenses of property, plant and equipment items are recognized as expenses.

Estimated useful lives of property, plant and equipment are as follows:

	Estimated useful lives (Year)	Depreciation rate
Buildings	50	2 %
Safes	50	2 %
Other movable properties	3-25	4-33,33 %
Assets held under financial leases	4-5	20-25 %

Leasehold improvements are depreciated over the useful lives on a straight-line basis. In any case useful life cannot exceed the lease period. If the duration of lease agreement is not determined or longer than five years, depreciation duration is considered as five years.

There is no change in accounting estimates that is expected to have significant effect in current period and subsequent periods.

There are no material mortgages, pledges or similar in cumbrances designated for the property, plant and equipment.

Classification of Investment Properties:

If a land or building is being used by an owner and the intention is changed to an investment property, this property is classified as an investment property.

When the use of an immovable is changed and reclassified as an investment property, the actual value of the date on which the change in the use of the named property takes place will be the cost of the subsequent accounting.

XIV. EXPLANATIONS ON INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties in the attached unconsolidated financial statements that are purchased prior to 1 January 2005 are carried at their 31 December 2004 dated restated costs and property, plant and equipment that are purchased in the subsequent periods are carried at cost, less any accumulated depreciation and any impairment losses. Investment properties are amortized by using the straight line method during their useful lives. Gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of that asset and is recognized in profit or loss.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS

Assets acquired under financial leases are carried at the lower of their fair values or amortized value of the lease payments. Leasing payables are recognized as liabilities in the balance sheet while the interest payable portions of the payables are recognized as a deferred amount of interest. Assets held under financial leases are recognized under the property, plant and equipment (movable properties) account and are depreciated by using the straight line method.

The Bank does not participate in the financial leasing transactions as a “lessor”.

According to “IFRS 16 Leases” standard which became effective as of 1 January 2019, the difference between the operating lease and financial lease was removed and the lease transactions were started to be recognised under “Property and Equipment” as an asset (tenure) and under “Lease Liabilities” as a liability.

The Bank assesses whether the contract has the quality of a lease or whether the transaction includes a lease at the beginning of a contract.

A lease agreement is an agreement between two or more parties that gives the tenure the legally enforceable rights and obligations of the underlying asset. In case the contract is transferred for a certain period of time to control the use of the asset defined for a price, it is either leased or includes a lease. The Bank reflects the existence of a right-of-use and a lease liability to the financial statements at the effective date of the lease.

Existence of right-of-use:

As a result of internal evaluations, the Bank accounts real estate and vehicles subject to operational lease in accordance with IFRS 16. ATMs and other leasing transaction balances are not considered within the scope of IFRS 16 as they are below the materiality level and the corresponding rent payments are recognized under Current Period Expense.

At the commencement date, the Bank measures the right-of-use real estates considered as the cost of right-of-use asset being the right-of-use asset in accordance with IFRS 16. The cost of the right-of-use;

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

When applying the cost method, The Bank takes into account the accumulated depreciation and impairment losses for the subsequent period measurement of the existence of right-of-use. The Bank applies the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating real assets considered as right-of-use asset.

The Bank applies TAS 36 Impairment of Assets to determine whether the real estates considered as right-of-use assets are impaired and to account for any impairment loss identified.

The Lease Obligations:

Based on IFRS 16, at the commencement date, the Bank measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the alternative borrowing interest rate.

After the commencement date, the Bank measures the lease liability as follows:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the book value to reflect the lease payments made,

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XV. EXPLANATIONS ON LEASING TRANSACTIONS (continued)

c) Reducing the carrying amount to reflect the lease payments made; and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease.

Interest on the lease liability in each period during the lease term shall be the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

In the event of a modification in the lease agreement which affects the lease payments or defined assets, the Bank re-measures its lease liability by using the current borrowing rate. The Bank reflects the remeasured leasing liability and the right-of-use in the financial statements. On the other hand, changes such as the shortening of the lease term, the termination of the contract and the decreases in the scope of the underlying asset, the gains or losses are recognized in profit or loss.

XVI. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES

Provision and contingent liabilities are accounted in conformity with Turkish Accounting Standard on “Provisions, Contingent Liabilities and Contingent Assets” (TAS 37).

In the financial statements, a provision is made for an existing commitment resulted from past events if it is probable that the commitment will be settled and a reliable estimate can be made of the amount of the obligation. Provisions are calculated based on the best estimates of The Bank’s management on the expenses to incur as of the balance sheet date and, if material, such expenses are discounted for their present values. If the amount is not reliably estimated and there is no probability of cash outflow from the Bank to settle the liability, the related liability is considered as “contingent” and disclosed in the notes to the financial statements.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVII. EXPLANATIONS ON EMPLOYEE BENEFIT LIABILITIES

Employee benefits liabilities are recognized in accordance with the Turkish Accounting Standard No: 19 “Employee Benefits”. According to related legislation and union agreements, the Bank is required to make lump sum retirement payments to employees who has completed one year of service, is called up for military service, dies, resigns, retires or whose employment is terminated without due cause, or for female employees who resigns subsequent to her marriage within one year. The Bank provides provision by estimating the present value of the future retirement pay liability.

The retirement pay provision of the Bank has been determined by the actuarial report of an independent actuary firm. As of 1 January 2013, actuarial gains and losses are recorded under the shareholders’ equity according to the revised TAS 19.

T. Halk Bankası Employee Pension Fund, T. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations were founded in accordance with the provisional article 20 of the Social Insurance Act (SIA) No: 506 and their members including employees of the Bank. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension funds would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

After the justified decree related to cancelling the provisional article 23 of the Banking Law was announced by the Constitutional Court on the Official Gazette dated 15 December 2007 and numbered 26731, Turkish Grand National Assembly (TGNA) started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 “Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws”, which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect. The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. However related transfer period has been prolonged for 2 years by the Council of Ministers decision dated 14 March 2011, which was published on the Official Gazette dated 9 April 2011 and numbered 27900. In addition, by the Law numbered 6283 “Emendating Social Security and General Health Insurance Act”, which was published on the Official Gazette dated 8 March 2012 and numbered 28227, the authority of the Council of Ministers extending 2 years has been raised to 4 years.

The statement “The Council of Ministers have entitled to determine transfer period” has taken place in the scope of the Article 51 of the Law No: 6645 which was published on the Gazette on 23 April 2015 and numbered 29335.

In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the present value of the actuarial liabilities will be calculated with the technical interest rate of 9,8%. Moreover, after the transfer to Social Insurance Institution, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants. Based on the results of the actuarial report prepared as of 31 December 2019 no technical deficit has been reported.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XVIII. EXPLANATIONS ON TAXATION

In accordance with provisional article 10 of the Law No. 5520 on Taxation No. 7061 added to the Article No 91 of the Law on Taxation, the 20% rate institutions listed in the first paragraph of the Article 32 of the Corporate Tax Law are subject to the taxation periods of 2018, 2019 and 2020 (for fiscal years beginning in the year concerned for the designated institutions). In addition, the President of the Republic of Turkey is authorized to reduce the rate of 22% written in the first sentence to 20%.

The tax rate used in the calculation of deferred tax assets and liabilities is 22% over temporary timing differences expected to reverse in 2018, 2019 and 2020 and 20% over temporary timing differences expected to reverse after 2021.

Tax expense is the sum of the current tax expense and deferred tax charge. Current year tax liability is calculated over taxable profit. Taxable profit is different from the profit in the statement of profit or loss since taxable income or deductible expenses for the following years and non-taxable and non-deductible items are excluded.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Tax practices in the countries that foreign branches operate:

Turkish Republic of Northern Cyprus (TRNC)

According to the tax regulations in the Turkish Republic of Northern Cyprus, corporate gains are subject to 10% of corporate tax and this taxed amount is subject to 15% of income tax.

The tax bases for corporate are determined by adding the expenses that cannot be deducted according to TRNC regulations, to commercial gains and by subtracting exemptions and deductions from commercial gains.

On the other hand, withholding tax is paid over interest income in TRNC. The relevant withholding tax payments are deducted from the corporate taxes paid.

First period advance corporate tax return for the period of 1 January 2020 – 31 March 2020 is accrued and paid in May 2020, second period advance corporate tax return for the period 1 April 2020 - 30 June 2020 is accrued and paid in August, third period advance corporate tax return for the period 1 July 2020 - 30 September 2020 will be accrued and paid in November and forth period advance corporate tax return for the period 1 October 2020 - 31 December 2020 will be issued in February 2021, and paid following its assessment date.

Bahrain

Banks in Bahrain are not subject to tax according to the regulations of the country.

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SECTION III: EXPLANATIONS ON ACCOUNTING POLICIES (continued)

XIX. ADDITIONAL EXPLANATIONS ON BORROWINGS

The Bank borrows funds from domestic and foreign institutions and issues marketable securities when needed. These borrowing activities are recognized at fair value including the acquisition costs at the transaction date and they are valued at amortized costs by using the internal rate of return method.

Interest rate and liquidity risks are reduced by having assets with shorter or equal maturity terms than borrowing instruments such as syndication, securitization and borrowing with collateral and bears higher interest than costs of those instruments.

Also, asset composition is designed in accordance with the fixed/variable cost nature of borrowing instruments.

XX. EXPLANATIONS ON SHARES ISSUED

Share issuances related to costs are recognized as expenses. Dividends related with the equity shares are determined by the General Assembly of the Bank.

In accordance with the decision of the Higher Council of Privatization dated 5 February 2007 and numbered 2007/8, the process of public offering for the 25% of shares pertaining to the Privatization Administration was completed and the Bank shares were registered with the Capital Markets Board as per the CMB decision dated 26 April 2007 and numbered 16/471, and the shares were traded on the Borsa İstanbul A.Ş. as of 10 May 2007.

As per the decision of the Higher Council of Privatization numbered 2012/150 and dated 4 October 2012; 23,92% of the public shares that were previously held by the Privatization Administration were privatized by a second public offering and privatization was completed on 21 November 2012.

In accordance with the decision of the Board of Directors of the Bank dated 11 May 2020, the capital is increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097. After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Bank's main shareholder Türkiye Varlık Fonu.

XXI. EXPLANATIONS ON BILL GUARANTEES AND ACCEPTANCES

Bill guarantees and acceptances are realized simultaneously with the customer payments and they are presented as possible liabilities and commitments in the off-balance sheet accounts.

XXII. EXPLANATIONS ON GOVERNMENT INCENTIVES

There are no government incentives utilized by the Bank.

XXIII. EXPLANATIONS ON SEGMENT REPORTING

Segment reporting focuses on business segment considering the main source and nature of the risks and returns of the Bank. The Bank operates mainly in corporate, commercial, entrepreneur banking and investment banking.

The information of the Bank's business segments is explained in Section Four, disclosure numbered VII.

XXIV. EXPLANATIONS ON OTHER MATTERS

None.

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**SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK
MANAGEMENT OF THE BANK**

I. EXPLANATIONS ON CAPITAL

Equity amount and capital adequacy standard ratio calculation is made within the framework of “Regulation on Equities of the Banks” and “Regulation on Measurement and Evaluation of Banks’ Capital Adequacy” and in accordance with the amendments announced by the BRSA in the Press Release dated 23 March 2020.

These amendments include the following provisions respectively; in case of the net valuation differences of the securities included in the Fair Value Through Other Comprehensive Income portfolio as of 23 March 2020 are negative, these differences are not to be taken into account in the calculation of equity amount for the capital adequacy ratio, and the buying exchange rate used in financial statements dated 31 December 2019 can be used for the monetary and non-monetary assets’ carrying values in accordance with Turkish Accounting Standard except from the foreign currency items measured at historical cost basis for calculating the amount subject to credit risk and for the related specific provisions.

As of 30 September 2020, the capital adequacy ratio and the capital amount of the Bank were realized as 15,42% (31 December 2019: 14,33%) and TRY 59.441.603 (31 December 2019: TRY 46.543.894) which were calculated within the scope of the above-mentioned regulation amendments.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items:

Current Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	3.694.227	
Share Premium	5.776.224	
Reserves	25.421.933	
Other Comprehensive Income according to TAS	5.126.242	
Profit	2.090.167	
Current Period Profit	2.090.167	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	245.006	
Common Equity Tier 1 Capital Before Deductions	42.353.799	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital	-	
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	274.311	
Leasehold Improvements on Operational Leases (-)	92.281	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	562.122	562.122
Net Deferred Tax Asset/Liability (-)	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital (-)	351.767	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital (-)	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital (-)	-	
Mortgage Servicing Rights not deducted (-)	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences (-)	-	
Other items to be Defined by the BRSA (-)	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals (-)	-	
Total Deductions from Common Equity Tier 1 Capital	1.280.481	
Total Common Equity Tier 1 Capital	41.073.318	

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	8.147.880
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	8.147.880
Deductions from Additional Tier I Capital	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions From Additional Tier I Capital	-
Total Additional Tier I Capital	8.147.880
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	49.221.198
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	4.294.823
Tier II Capital Before Deductions	10.224.618
Deductions From Tier II Capital	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	10.224.618
Total Equity (Total Tier I and Tier II Capital)	59.445.816
Total Tier I and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be defined by the BRSA	4.213
	-

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation (-)	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation (-)	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	59.441.603
Total Risk Weighted Assets	385.539.197
Capital Adequacy Ratios	
CET1 Capital Ratio (%)	10,65
Tier I Capital Ratio (%)	12,77
Capital Adequacy Ratio (%)	15,42
BUFFERS	
Bank-specific total CET1 Capital Ratio (a+b+c)	2,522
a) Capital Conservation Buffer Ratio (%)	2,500
b) Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,022
c) Systemic significant bank buffer ratio %	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation (%)	6,15
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	136.524
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	675.908
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	2.019.274
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	5.767.592
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	4.294.823
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

*Amounts in this column represents the amounts of items that are subject to transitional provisions.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

Prior Period	Amount	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in Capital to be Entitled for Compensation after All Creditors	2.470.451	
Share Premium	-	
Reserves	23.701.624	
Other Comprehensive Income according to TAS	4.563.269	
Profit	1.720.309	
Current Period Profit	1.720.309	
Prior Period Profit	-	
Bonus Shares from Associates, Affiliates and Joint-Ventures not Accounted in Current Period's Profit	184.549	
Common Equity Tier 1 Capital Before Deductions	32.640.202	
Deductions from Common Equity Tier 1 Capital		
Valuation adjustments calculated as per the article 9. (i) of the Regulation on Bank Capital		
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	180.992	
Leasehold Improvements on Operational Leases	79.399	
Goodwill Netted with Deferred Tax Liabilities	-	
Other Intangible Assets Netted with Deferred Tax Liabilities Except Mortgage Servicing Rights	162.053	162.053
Net Deferred Tax Asset/Liability	-	
Differences arise when assets and liabilities not held at fair value, are subjected to cash flow hedge accounting	-	
Total credit losses that exceed total expected loss calculated according to the Regulation on Calculation of Credit Risk by Internal Ratings Based Approach	-	
Securitization gains	-	
Unrealized gains and losses from changes in bank's liabilities' fair values due to changes in creditworthiness	-	
Net amount of defined benefit plans	-	
Direct and Indirect Investments of the Bank on its own Tier I Capital	262.384	
Shares Obtained against Article 56, Paragraph 4 of the Banking Law	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital (-)	-	
Mortgage Servicing Rights Exceeding the 10% Threshold of Tier I Capital (-)	-	
Net Deferred Tax Assets arising from Temporary Differences Exceeding the 10% Threshold of Tier I Capital	-	
Amount Exceeding the 15% Threshold of Tier I Capital as per the Article 2, Clause 2 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-	
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital not deducted from Tier I Capital	-	
Mortgage Servicing Rights not deducted	-	
Excess Amount arising from Deferred Tax Assets from Temporary Differences	-	
Other items to be Defined by the BRSA	-	
Deductions from Tier I Capital in cases where there are no adequate Additional Tier I or Tier II Capitals	-	
Total Deductions from Common Equity Tier I Capital	684.828	
Total Common Equity Tier I Capital	31.955.374	

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

ADDITIONAL TIER I CAPITAL	
Preferred Stock not Included in Common Equity Tier I Capital and the Related Share Premiums	-
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.958.900
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Additional Tier I Capital before Deductions	5.958.900
Deductions from Additional Tier I Capital	
Direct and Indirect Investments of the Bank on its own Additional Tier I Capital (-)	-
Investments in Equity Instruments Issued by Banks or Financial Institutions Invested in Bank's Additional Tier I Capital and Having Conditions Stated in the Article 7 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-
Other items to be defined by the BRSA	-
Items to be Deducted from Tier I Capital during the Transition Period	
Goodwill and Other Intangible Assets and Related Deferred Taxes not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Net Deferred Tax Asset/Liability not deducted from Tier I Capital as per the Temporary Article 2, Clause 1 of the Regulation on Measurement and Assessment of Capital Adequacy Ratios of Banks (-)	-
Deduction from Additional Tier I Capital when there is not enough Tier II Capital (-)	-
Total Deductions from Additional Tier I Capital	-
Total Additional Tier I Capital	5.958.900
Total Tier I Capital (Tier I Capital= Common Equity Tier I Capital + Additional Tier I Capital)	37.914.274
TIER II CAPITAL	
Debt Instruments and the Related Issuance Premiums Defined by the BRSA	5.929.795
Debt Instruments and the Related Issuance Premiums Defined by the BRSA (Covered by Temporary Article 4)	-
Provisions (Amounts explained in the first paragraph of the article 8 of the Regulation on Bank Capital)	2.711.157
Total Deductions from Tier II Capital	8.640.952
Deductions from Tier II Capital	
Direct and Indirect Investments of the Bank on its own Tier II Capital (-)	-
Investments in Equity Instruments Issued by Banks and Financial Institutions Invested in Bank's Tier II Capital and Having Conditions Stated in the Article 8 of the Regulation	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-
Other items to be defined by the BRSA (-)	-
Total Deductions from Tier II Capital	-
Total Tier II Capital	8.640.952
Total Equity (Total Tier I and Tier II Capital)	46.555.226
Total Tier I Capital and Tier II Capital (Total Equity)	
Loans Granted against the Articles 50 and 51 of the Banking Law	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-
Other items to be Defined by the BRSA	11.332

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(1) Information on Equity items (continued):

Items to be Deducted from the Sum of Tier I and Tier II Capital (Capital) During the Transition Period	
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Tier I Capital, Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-
The Portion of Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital not deducted from Additional Tier I Capital or Tier II Capital as per the Temporary Article 2, Clause 1 of the Regulation	-
The Portion of Net Long Position of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or more of the Issued Share Capital, of the Net Deferred Tax Assets arising from Temporary Differences and of the Mortgage Servicing Rights not deducted from Tier I Capital as per the Temporary Article 2, Clause 2, Paragraph (1) and (2) and Temporary Article 2, Clause 1 of the Regulation	-
TOTAL CAPITAL	
Total Capital (Total of Tier I Capital and Tier II Capital)	46.543.894
Total Risk Weighted Assets	324.748.061
CAPITAL ADEQUACY RATIOS	
CET1 Capital Ratio (%)	9,84
Tier I Capital Ratio (%)	11,67
Capital Adequacy Ratio (%)	14,33
BUFFERS	
Bank-specific total CET1 Capital Ratio	2,528
Capital Conservation Buffer Ratio (%)	2,5
Bank-specific Counter-Cyclical Capital Buffer Ratio (%)	0,028
Systemic Bank Buffer Ratio (%)	-
Additional CET1 Capital Over Total Risk Weighted Assets Ratio Calculated According to the Article 4 of Capital Conservation and Counter-Cyclical Capital Buffers Regulation	5,34
Amounts Lower Than Excesses as per Deduction Rules	
Remaining Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital	147.693
Remaining Total of Net Long Positions of the Investments in Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% or less of the Issued Share Capital	496.684
Remaining Mortgage Servicing Rights	-
Net Deferred Tax Assets arising from Temporary Differences	1.338.931
Limits for Provisions Used in Tier II Capital Calculation	
General Loan Provisions for Exposures in Standard Approach (before limit of one hundred and twenty five per ten thousand)	2.711.157
General Loan Provisions for Exposures in Standard Approach Limited by 1.25% of Risk Weighted Assets	2.711.157
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach	-
Total Loan Provision that Exceeds Total Expected Loss Calculated According to Communiqué on Calculation of Credit Risk by Internal Ratings Based Approach, Limited by 0,6% Risk Weighted Assets	-
Debt Instruments Covered by Temporary Article 4 (effective between 1.1.2018-1.1.2022)	
Upper Limit for Additional Tier I Capital Items subject to Temporary Article 4	-
Amount of Additional Tier I Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-
Upper Limit for Additional Tier II Capital Items subject to Temporary Article 4	-
Amount of Additional Tier II Capital Items Subject to Temporary Article 4 that Exceeds Upper Limit	-

*Amounts in this column represents the amounts of items that are subject to transition provisions.

- (2) The equity is calculated on the capital adequacy ratio calculation basis having reduced deductible assets on equity from the sum of core capital and supplementary capital within the scope of "Regulation on Equities of Banks" (Regulation). The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from the first stage and second stage expected loss provisions and subordinated debt instruments. On the other hand, in the calculation of the Total Capital, development costs for operating leases followed under tangible assets in the balance sheet and intangible assets. Additionally, some of the accounts determined by the Board are reduced from the total equity in the calculation of capital.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

I. EXPLANATIONS ON CAPITAL (continued)

(3) Information about instruments to be included in the Equity Calculation:

Details on Subordinated Liabilities:				
Issuer	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	T. Halk Bankası A.Ş.	Türkiye Varlık Fonu
Unique identifier (ex CUSIP, ISIN or Bloomberg identifier for private placement)	TRSTHALE2716	TRSTHAL62811	TRSTHAL92826	-
Governing Law(s) of the instrument	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA and CMB Legislation	BRSA Legislation
Regulatory treatment				
Subject to 10% deduction as of 1/1/2015	No	No	No	No
Eligible at unconsolidated / consolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated	Consolidated - Unconsolidated
Instrument type (types to be specified by each jurisdiction)	Bond	Bond	Bond	Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	1.000	1.950	2.980	8.148
Par value of instrument	1.000	1.950	2.980	-
Accounting classification	346.011	346.011	346.011	347.0001
Original date of issuance	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Perpetual or dated	Dated	Dated	Dated	Perpetual
Original maturity date	20.10.2017	03.07.2018	26.09.2018	24.04.2019
Issuer call subject to prior supervisory approval	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.	At the end of the fifth year, the Bank has an early redemption option.
Optional call date, contingent call dates and redemption amount	-	-	-	-
Subsequent call dates, if applicable	-	-	-	-
Coupons / dividends				
Fixed or floating dividend/coupon	Floating Coupon	Fixed Coupon	Fixed Coupon	No Coupon Payment
Coupon rate and any related index	Government Debt Security for 5 years +350 base points	14,10 %	12,79 %	5 years 25,38%
Existence of a dividend stopper	-	-	-	-
Fully discretionary, partially discretionary or mandatory	-	-	-	-
Existence of step up or other incentive to redeem	-	-	-	-
Noncumulative or cumulative	-	-	-	-
Convertible or non-convertible				
If convertible, conversion trigger (s)	-	-	-	-
If convertible, fully or partially	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, mandatory or optional conversion	-	-	-	-
If convertible, specify instrument type convertible into	-	-	-	-
If convertible, specify issuer of instrument it converts into	-	-	-	-
Write-down feature				
If write-down, write-down trigger(s)	-	-	-	Decrease in core capital adequacy ratio below 5,125%
If write-down, full or partial	-	-	-	Fully or partially
If write-down, permanent or temporary	-	-	-	Permanent or temporary
If temporary write-down, description of write-up mechanism	-	-	-	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowing, before Additional Tier I Capital	After borrowings and Additional Tier II Capital
In compliance with article number 7 and 8 of "Own fund regulation"	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 8.	The instrument is in compliance with article number 7.
Details of incompliances with article number 7 and 8 of "Own fund regulation"	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 7.	The instrument is not in compliant with article numbered 8.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

II. EXPLANATIONS ON CURRENCY RISK

Foreign currency risk indicates the probability of loss that banks are subject to due to the exchange rate movements in the market. While calculating the share capital requirement, all foreign currency assets, liabilities and forward transactions of the Bank are taken into consideration. Net short term and long term positions of each currency are calculated in terms of the Turkish Lira.

In accordance with “Regulation on Measurement and Evaluation of Capital Adequacy of Banks”, the foreign currency position risk of the Bank is measured by “standard method” and is calculated daily and is reported monthly. Also VAR based values and limits are reported to the Executives on a daily basis by using internal model methods. In addition, the value at risk limit determined by the Board of Directors of the Bank for the value at risk including foreign currency risk is monitored daily and reported to the key management personnel. As a foreign currency risk management policy, the Bank is not exposed to foreign exchange risk significantly and positions related to foreign currency risk are balanced with derivative transactions when necessary.

Announced current foreign exchange buying rates of the Bank as at financial statement date and the previous five working days in full TRY are as follows:

	23.09.2020	24.09.2020	25.09.2020	28.09.2020	29.09.2020	30.09.2020
USD	7,6700000	7,6000000	7,6100000	7,7400000	7,8100000	7,7200000
CHF	8,2965000	8,1871000	8,1815000	8,3591000	8,4727000	8,3669000
GBP	9,7577000	9,6519000	9,6582000	9,9298000	10,0333000	9,9508000
JPY	0,0726416	0,0718694	0,0718108	0,0732028	0,0737399	0,0728488
EUR	8,9509000	8,8449000	8,8466000	9,0217000	9,1635000	9,0532000

The simple arithmetic averages of the major current foreign exchange buying rates of the Bank for the thirty days before the financial statement date are as follows:

	Monthly Average Buying rate of exchange
USD	7,5222727
CHF	8,2089136
GBP	9,7317455
JPY	0,0710372
EUR	8,8676773

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

II. EXPLANATIONS ON CURRENCY RISK (continued)

Information related to currency risk:

Current Period	EUR	USD	OTHER FC	TOTAL
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	5.629.746	23.981.338	5.898.067	35.509.151
Banks	1.122.696	290.377	1.877.714	3.290.787
Financial assets at fair value through profit and loss ⁽³⁾	100	53	-	153
Money market placements	-	-	-	-
Financial assets at fair value through other comp. income ⁽⁵⁾	9.442.371	11.865.325	1.104.752	22.412.448
Loans ⁽²⁾	55.751.816	42.932.913	1.216.646	99.901.375
Subsidiaries, associates and entities under common control	659.978	-	2.138.802	2.798.780
Financial assets measured at amortised cost ⁽⁶⁾	8.695.031	15.754.655	3.471.174	27.920.860
Derivative financial assets held for risk management	-	-	-	-
Tangible assets	-	-	324	324
Intangible assets	-	-	-	-
Other assets ⁽³⁾	1.138.639	2.483.218	3.891	3.625.748
Total assets	82.440.377	97.307.879	15.711.370	195.459.626
Liabilities				
Bank deposits	9.947.330	4.648.985	335.036	14.931.351
Foreign currency deposits	62.763.616	82.555.509	23.458.029	168.777.154
Money market balances	-	776.378	-	776.378
Funds provided from other financial institutions	7.083.475	4.173.383	4.001	11.260.859
Bonds issued	-	7.784.429	-	7.784.429
Sundry creditors	263.058	191.679	620	455.357
Derivative financial liabilities held for risk management	-	-	-	-
Other liabilities ⁽³⁾	9.209.291	907.753	93.910	10.210.954
Total liabilities	89.266.770	101.038.116	23.891.596	214.196.482
Net balance sheet position	(6.826.393)	(3.730.237)	(8.180.226)	(18.736.856)
Net off-balance sheet position				
Financial derivative assets⁽⁴⁾	6.237.621	(5.355.986)	8.108.975	8.990.610
Financial derivative liabilities ⁽⁴⁾	8.337.131	6.797.949	11.072.363	26.207.443
Non-cash loans ⁽¹⁾	2.099.510	12.153.935	2.963.388	17.216.833
	36.427.581	19.475.206	2.891.066	58.793.853
Prior period				
Total assets	73.371.806	67.292.723	6.895.123	147.559.652
Total liabilities	82.555.919	71.494.882	8.797.712	162.848.513
Net balance sheet position	(9.184.113)	(4.202.159)	(1.902.589)	(15.288.861)
Net off-balance sheet position				
Financial derivative assets	8.294.238	(66.027)	3.071.795	11.300.006
Financial derivative liabilities	9.671.543	8.010.056	3.971.397	21.652.996
Non-cash loans ⁽¹⁾	1.377.305	8.076.083	899.602	10.352.990
	28.499.086	18.424.330	2.323.178	49.246.594

⁽¹⁾ Non-cash loans are not included in the off-balance sheet position items.

⁽²⁾ Includes TRY 60.778 of foreign currency indexed loans and their accruals.

⁽³⁾ In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", prepaid expenses (TRY 726) in assets; and shareholders' equity (TRY 577.752) in liabilities are not taken into consideration in the currency risk measurement.

⁽⁴⁾ Financial derivative assets include forward precious metal purchase transactions amounted to TRY 46.569 and swap precious metal purchase transactions amounted to TRY 9.872.628. Financial derivative liabilities include forward precious metal sale transactions amounted to TRY 1.892.139. Besides, derivative transactions under forward foreign currency purchase and sale commitments are included.

⁽⁵⁾ Includes gold indexed bonds amounting to TRY 1.104.752 (31 December 2019: TRY 1.099.243).

⁽⁶⁾ Includes gold indexed bonds amounting to TRY 3.471.174 (31 December 2019: TRY 136.186).

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

III. EXPLANATIONS ON INTEREST RATE RISK

Loss that may arise due to asset-liability and interest-sensitive assets mismatches based on the repricing (interest rate change) periods of the off-balance sheet positions represent the interest rate risk. Among the positions subject to these risks, those evaluated in trading accounts are taken into account in market risk, while positions in banking books are subject to interest rate risk calculations arising from banking books.

The interest rate risks incurred due to interest-sensitive positions in the Bank's trading and banking books are managed within the scope of the "Policies for the Management of Interest Rate Risk" which is approved by the Board of Directors. Interest rate risks are measured on a daily basis primarily through risk weighted asset and economic value change measurements, sensitivity, duration and gap analyses. Measurement results are daily reported to the Bank's Top Management and related business units.

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items (based on re-pricing dates):

Current period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	4.231.662	-	-	-	-	37.142.018	41.373.680
Banks and financial institutions	1.013.771	-	-	-	-	2.553.500	3.567.271
Financial assets at fair value through profit and loss	357	19.642	22.734	153	8	16.249.683	16.292.577
Money market placements	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	5.483.109	14.392.856	21.161.192	16.728.407	890.100	388.062	59.043.726
Loans	70.162.764	85.826.331	121.408.194	118.989.887	29.381.839	28.155.086	453.924.101
Financial assets measured at amortised cost	289.973	28.718.937	6.181.891	16.818.285	30.553.049	-	82.562.135
Other assets ⁽⁴⁾	432.214	1.382	9.573	23.751	9.377	6.434.861	6.911.158
Total assets	81.613.850	128.959.148	148.783.584	152.560.483	60.834.373	90.923.210	663.674.648
Liabilities							
Bank deposits	20.228.267	7.443.160	132.000	-	-	8.395.683	36.199.110
Other deposits	245.104.194	66.837.290	10.928.455	402.156	-	81.143.508	404.415.603
Money market balances	101.742.413	772.442	-	-	-	328.796	102.843.651
Miscellaneous Payables	4.074.942	-	-	-	-	4.393.978	8.468.920
Bonds issued	898.814	3.690.027	8.471.515	1.000.000	-	112.700	14.173.056
Funds provided from other financial institutions ⁽³⁾	526.242	1.838.584	5.783.451	2.674.497	796.431	65.709	11.684.914
Other liabilities ⁽¹⁾⁽²⁾	1.000.001	16.104.082	-	8.147.880	4.929.795	55.707.636	85.889.394
Total liabilities	373.574.873	96.685.585	25.315.421	12.224.533	5.726.226	150.148.010	663.674.648
Balance sheet long position	-	32.273.563	123.468.163	140.335.950	55.108.147	-	351.185.823
Balance sheet short position	(291.961.023)	-	-	-	-	(59.224.800)	(351.185.823)
Off-balance sheet long position	15.716.452	11.760.970	4.508.693	252.933	6.141.718	-	38.380.766
Off-balance sheet short position	(14.830.716)	(3.959.561)	(4.147.918)	(1.070.937)	(12.283.435)	-	(36.292.567)
Total position	(291.075.287)	40.074.972	123.828.938	139.517.946	48.966.430	(59.224.800)	2.088.199

(1) TRY 527.778 of net deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

(2) Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

(3) Funds provided from other financial institutions include borrowings.

(4) Provision amount is disclosed under the non-bearing interest column in other assets.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

III. EXPLANATIONS ON INTEREST RATE RISK (continued)

1. Information related to the interest rate sensitivity of assets, liabilities and off-balance sheet items based on re-pricing dates (continued):

Prior period	Up to 1 month	1-3 months	3-12 months	1-5 years	5 years and over	Non-bearing interest	Total
Assets							
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	1.100.270	-	-	-	-	33.388.311	34.488.581
Banks and financial institutions	2.080.201	-	-	-	-	1.670.266	3.750.467
Financial assets at fair value through profit and loss	265	-	16.774	64	-	16.249.683	16.266.786
Money market placements	-	-	-	-	-	-	-
Financial assets available-for-sale	3.309	3.049.156	4.378.714	5.837.986	757.544	232.075	14.258.784
Loans	77.301.990	47.047.508	81.570.652	68.303.275	12.266.909	22.717.767	309.208.101
Held-to-maturity investments	850.392	23.922.480	7.574.636	17.565.511	22.295.336	-	72.208.355
Other assets ⁽⁴⁾	168.294	2.510	6.464	20.048	196	6.666.815	6.864.327
Total assets	81.504.721	74.021.654	93.547.240	91.726.884	35.319.985	80.924.917	457.045.401
Liabilities							
Bank deposits	13.101.753	8.494.169	6.000	-	-	5.994.270	27.596.192
Other deposits	156.220.542	47.710.682	17.980.829	254.048	-	47.971.883	270.137.984
Money market balances	52.577.061	590.314	-	-	-	33.669	53.201.044
Sundry creditors	3.195.695	-	-	-	-	3.103.837	6.299.532
Bonds issued	1.491.954	8.244.110	690.764	6.895.630	-	268.829	17.591.287
Funds provided from other financial institutions ⁽³⁾	470.581	4.428.248	3.109.478	2.126.207	809.331	72.996	11.016.841
Other liabilities ⁽¹⁾⁽²⁾	1.000.000	-	16.104.082	-	10.888.695	43.209.744	71.202.521
Total liabilities	228.057.586	69.467.523	37.891.153	9.275.885	11.698.026	100.655.228	457.045.401
Balance sheet long position	-	4.554.131	55.656.087	82.450.999	23.621.959	-	166.283.176
Balance sheet short position	(146.552.865)	-	-	-	-	(19.730.311)	(166.283.176)
Off-balance sheet long position	16.522.714	4.712.560	10.147.950	90.946	5.546.352	-	37.020.522
Off-balance sheet short position	(15.945.233)	(3.457.449)	(10.281.891)	(1.051.815)	(5.546.352)	-	(36.282.740)
Total position	(145.975.384)	5.809.242	55.522.146	81.490.130	23.621.959	(19.730.311)	737.782

⁽¹⁾ TRY 309.861 of deferred tax liability is disclosed under the non-bearing interest column in other liabilities.

⁽²⁾ Shareholders' equity balance is disclosed under the non-bearing interest column in other liabilities line.

⁽³⁾ Funds provided from other financial institutions include borrowings.

⁽⁴⁾ Provision amount is disclosed under the non-bearing interest column in other assets.

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III. EXPLANATIONS ON INTEREST RATE RISK (continued)

2. Average interest rates applied to the monetary financial instruments (%):

Current period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	7,00
Due from other banks and financial institutions ⁽¹⁾	0,20	0,60	-	10,88
Financial assets at fair value through profit and loss ⁽⁶⁾	1,57	5,83	-	8,05
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	2,32	2,95	-	10,70
Loans ⁽²⁾	5,12	6,35	-	10,55
Financial assets measured at amortised cost	4,90	5,80	-	11,65
Liabilities				
Bank deposits ⁽⁴⁾	0,29	2,00	0,06	11,64
Other deposits ⁽⁴⁾	0,64	1,89	0,01	9,73
Money market borrowings	-	6,61	-	11,45
Sundry creditors ⁽³⁾	-	-	-	3,50
Bonds issued	-	4,75	-	13,02
Funds provided from other financial institutions	1,05	1,76	-	8,87

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum TRY deposits interest rate with a maturity of twelve months as of 30 September 2020.

⁽⁴⁾ Demand deposit amounts are considered in the average interest rate calculation.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT as of the balance sheet date.

⁽⁶⁾ Borrowed securities are not included in the average interest rate calculation.

Prior Period	EUR	USD	JPY	TRY
Assets				
Cash (cash in vault, foreign currency cash, money in transit, cheques purchased) and balances with the CBRT ⁽⁵⁾	-	-	-	10,00
Due from other banks and financial institutions ⁽¹⁾	0,18	1,09	-	10,06
Financial assets at fair value through profit and loss ⁽⁶⁾	-	4,76	-	12,91
Money market placements	-	-	-	-
Available-for-sale financial assets	2,77	5,15	-	18,15
Loans ⁽²⁾	5,28	7,04	3,10	13,93
Held-to-maturity investments	4,77	5,93	-	19,62
Liabilities				
Bank deposits ⁽⁴⁾	0,36	2,49	-	9,12
Other deposits ⁽⁴⁾	0,44	1,86	0,25	9,87
Money market borrowings	2,21	6,61	-	11,37
Sundry creditors ⁽³⁾	-	-	-	4,50
Bonds issued	-	4,38	-	14,45
Funds provided from other financial institutions	1,11	3,22	3,10	11,48

⁽¹⁾ Interest rates are calculated using weighted average method for placements as of the balance sheet date.

⁽²⁾ Interest rates for loans given as of the balance sheet date are calculated by using client based weighted average interests.

⁽³⁾ Declared maximum TRY deposits interest rate with a maturity of twelve months as of 31 December 2019.

⁽⁴⁾ Demand deposit amounts are considered in the average interest rate calculation.

⁽⁵⁾ Average interest rates for reserve requirements of the CBRT as of the balance sheet date.

⁽⁶⁾ Borrowed securities are not included in the average interest rate calculation.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

IV. EXPLANATIONS ON POSITION RISK OF SHARES

Information about position risk of shares:

Equities	Carrying Value	Comparison		Capital Requirements
		Fair Value Change	Market Value	
Investment in Shares-Grade A	1.668.301	1.668.301	1.668.301	133.464
Quoted Securities ⁽¹⁾	1.668.301	1.668.301	1.668.301	133.464
Investment in Shares-Grade B	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares-Grade C	-	-	-	-
Quoted Securities	-	-	-	-
Investment in Shares- Grade D	-	-	-	-
Other	3.947.015	3.760.130	-	396.870

⁽¹⁾ The Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

Realized gains/losses, revaluation surpluses and unrealized gains/losses on equity securities and results included in Common Equity and Tier II Capital:

Portfolio	Realized gains/ losses in the current period	Revaluated appreciation in the fair value		Unrealized gains and losses		
		Total	Included To Supplementary Capital	Total	Included To total Core Capital	Included to Supplementary Capital
1. Private equity investments	-	-	-	-	-	-
2. Share certificates quoted on a stock exchange ⁽¹⁾	-	970.183	970.183	-	-	-
3. Other share certificates	-	1.037.800	1.037.800	-	-	-
Total	-	2.007.983	2.007.983	-	-	-

⁽¹⁾ The Banks' subsidiary Halk Gayrimenkul Yatırım Ortaklığı A.Ş was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa Istanbul A.Ş.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO

The liquidity risk occurs when there is insufficient cash or cash inflows to meet the cash outflows fully and timely. Liquidity risk may also occur when the market penetration is not adequate, when the open position cannot be closed immediately at the suitable prices in sufficient amounts due to barriers and break-ups in the markets.

The liquidity risks of the Bank are managed within the framework of risk and transaction limits approved by the Board of Directors, and the written duties and responsibilities of the units related to liquidity risk management is established. Within this scope, limits are determined in terms of TRY and FC for the purposes of following gap values for certain maturity tranches for liquidity analysis. On the other hand, for Treasury transactions; maturity and amount limits are determined for TL and FX transactions made in the interbank over-the-counter market, and limits are set on the maximum foreign currency position, forward and swap transactions that can be carried.

Liquidity risk analyzes (gap analysis, core deposit reports, etc.) are conducted on a daily basis and shared with the Bank's top management and related departments. Periodical stress tests are performed in line with the Bank's liquidity management policies.

Metrics within the scope of "Liquidity Emergency Action Plan"(LEAP) approved by the Board of Directors and early warning indicators related to these metrics are monitored on a daily basis. Written actions, if required, to be taken as part of this plan are determined. In extent with LEAP, necessary actions and their priority for possible liquidity stress/crisis have been determined and Liquidity Risk Committee have been established.

The extension of the maturity structure of term deposits which reflects the primary funding source for the Bank, the development of new products encouraging savings and the protection of core deposit levels have been implemented as a strategic objective. Limits have been determined for issuing bonds based on Turkish Lira to provide long term funding resource for the purposes of extending maturity structure of liabilities besides deposits.

For the purposes of utilizing advantage of the new borrowing facilities in line with the needs of the Bank, alternative funding resources are evaluated in parallel with the close monitoring of price/cost movements in international capital markets and with convenient conditions.

The reduction of liquidity risk is provided by effective collateral management structure. Upper borrowing limits are determined under certain criteria and balance sheet size related with the domestic organized markets (CBRT, BIST and TAKASBANK) by the relevant authorities. Existing limits available to use are continuously monitored, through the Bank's projected and instant liquidity needs under the condition that depositing and/or withdrawing additional collateral.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

According to the BRSA’s “Regulation for Banks’ Liquidity Coverage Ratio Calculations” published in the Official Gazette No. 28948 dated 21 March 2014, FC and TRY+FC liquidity coverage ratios are calculated by using high quality liquid assets divided by net cash outflows. Within this context, the Bank is required to have the ability to cover net cash outflows with high quality liquid assets and its related ratios should be in compliance with the legal limits. According to the mentioned Regulation, the legal minimum limits of liquidity coverage ratios calculated by taking the monthly simple arithmetic average on a consolidated basis, and a weekly simple arithmetic average on an unconsolidated basis should be 100% for TRY+FC and 80% for FC. However, with the decision of the BRSA dated 26 March 2020 and numbered 8967, the monitoring the legal limit of banks regarding the calculation of liquidity coverage ratio has been ceased until 31 December 2020 and banks are required to continue reporting their liquidity coverage ratios to the BRSA.

High quality liquid assets are composed of 39,72% accounts held by the CBRT and the Central Banks of the foreign branches, 54,76% securities considered as high quality liquid assets and 5,52% cash and cash equivalents.

The main funding source of the Bank is deposits, other funding sources consist of money market borrowings and securities issued.

Derivative transactions did not cause a net cash outflow that would negatively affect the liquidity position. The estimated cash outflows from derivative financial instruments and other liabilities calculated on the basis of the changes in fair value in the last 24 months on a consolidated basis, are TRY 658.798.

The Bank does not have any operational or legal restrictions on liquidity transfer to subsidiaries or foreign branches. Each of the consolidated subsidiaries manage their own liquidity risk and liquidity adequacy is ensured on a consolidated basis.

Early warning levels and limits related to the liquidity coverage ratio and the liquidity metrics determined within the scope of the “Liquidity Emergency Action Plan” of the Bank are calculated on a daily basis and the changes in these ratios are reported to the Bank’s Audit Committee, Asset-Liability Committee and related business units regularly.

The Bank’s minimum and maximum TRY and TRY+FC liquidity coverage ratios calculated based on weekly averages, and the realized weeks of these ratios in the current period are disclosed in the table below;

Liquidity Minimum-Maximum

Liquidity Coverage Ratio	FC		TRY+FC	
	Related Week	(%)	Related Week	(%)
Maximum	21.09.2020 - 27.09.2020	114,22	29.06.2020 - 05.07.2020	95,8
Minimum	27.07.2020 - 02.08.2020	86,41	31.08.2020 - 06.09.2020	73,03

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

Current Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			80.822.238	40.387.702
Cash Outflows				
Retail and Small Business Customers, of which;	198.715.994	91.595.597	17.795.331	9.159.560
Stable Deposits	41.525.360	-	2.076.268	-
Less Stable Deposits	157.190.634	91.595.597	15.719.063	9.159.560
Unsecured wholesale funding , of which;	183.400.978	69.063.501	81.138.395	30.177.757
Operational Deposits	33.658.611	8.423.372	8.414.653	2.105.843
Non-operational Deposits	143.569.389	58.121.307	67.493.112	25.638.496
Other Unsecured Funding	6.172.978	2.518.822	5.230.630	2.433.418
Secured Funding			-	-
Other cash outflows, of which;	10.347.101	6.177.873	5.137.214	3.261.468
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	773.464	847.229	773.464	847.229
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	9.573.637	5.330.644	4.363.750	2.414.239
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet Obligations	133.508.492	51.641.247	10.372.426	4.322.996
Total Cash Outflows			114.443.366	46.921.781
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	26.725.952	7.327.165	17.213.010	5.571.989
Other Cash Inflows	365.018	1.861.941	365.018	1.861.941
Total Cash Inflows	27.090.970	9.189.106	17.578.028	7.433.930
Total Adjusted Value				
Total HQLA Stock			80.822.238	40.387.702
Total Net Cash Outflows			96.865.338	39.487.851
Liquidity Coverage Ratio (%)			83,62%	102,42%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

V. EXPLANATIONS ON LIQUIDITY RISK AND LIQUIDITY COVERAGE RATIO (continued)

Prior Period	Total Unweighted Value (average) ⁽¹⁾		Total Weighted Value (average) ⁽¹⁾	
	TRY+FC	FC	TRY+FC	FC
High Quality Liquid Assets				
High Quality Liquid Assets			70.779.704	37.316.289
Cash Outflows				
Retail and Small Business Customers, of which;	144.569.269	64.357.833	12.699.613	6.435.783
Stable Deposits	35.146.282	-	1.757.314	-
Less Stable Deposits	109.422.987	64.357.833	10.942.299	6.435.783
Unsecured wholesale funding , of which;	112.257.585	53.122.172	52.013.173	22.021.309
Operational Deposits	22.628.118	7.762.181	5.657.030	1.940.545
Non-operational Deposits	84.734.905	43.720.559	42.194.859	18.495.741
Other Unsecured Funding	4.894.562	1.639.432	4.161.284	1.585.023
Secured Funding			-	-
Other cash outflows, of which;	9.048.421	6.191.353	4.644.595	3.861.357
Derivatives cash outflow and liquidity needs related to market valuation changes on derivatives or other transactions	949.941	1.929.728	949.941	1.929.728
Obligations related to structured financial products	-	-	-	-
Commitments related to debts to financial markets and other off-balance sheet obligations	8.098.480	4.261.625	3.694.654	1.931.629
Other revocable off-balance sheet commitments and contractual obligations.	-	-	-	-
Other irrevocable or conditionally revocable off-balance sheet obligations	106.604.001	44.754.029	8.453.340	3.650.639
Total Cash Outflows			77.810.721	35.969.088
Cash Inflows				
Secured Lending	-	-	-	-
Unsecured Lending	24.862.657	7.994.864	16.043.803	6.279.608
Other Cash Inflows	158.710	20.130.861	158.710	20.130.861
Total Cash Inflows	25.021.367	28.125.725	16.202.513	26.410.469
Total Adjusted Value				
Total HQLA Stock			70.779.704	37.316.289
Total Net Cash Outflows			61.608.208	10.574.505
Liquidity Coverage Ratio (%)			115,01%	362,17%

⁽¹⁾ Calculated by simple arithmetic average, daily consolidated average calculated for the last three months of the liquidity coverage ratio.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

V. EXPLANATIONS ON THE LIQUIDITY RISK AND THE LIQUIDITY COVERAGE RATIO (continued)

1. Presentation of assets and liabilities according to their remaining maturities:

The Bank follows up and measures the consistency of payments comparing its assets and liabilities with the interest rates on a daily and transactional basis.

Current period	Demand	Up to 1 month	1-3 months	3-12 Months	1-5 years	5 years and over	Undistributed	Total
Assets								
Cash (cash in TRY, foreign currency cash, money in transit, cheques purchased, precious metals) and balances with the CBRT	5.607.293	35.765.833	-	554	-	-	-	41.373.680
Banks	2.745.822	819.131	-	2.318	-	-	-	3.567.271
Financial assets at fair value through profit and loss	-	357	16.123.724	22.734	153	8	145.601	16.292.577
Money market placements	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1.298.789	1.283.381	21.281.562	29.040.808	5.751.124	388.062	59.043.726
Loans	18.855.639	24.383.345	33.086.964	109.170.516	213.913.622	54.514.015	-	453.924.101
Financial assets measured at amortised cost	-	-	1.107.201	9.973.432	31.369.999	40.111.503	-	82.562.135
Other assets ⁽²⁾	2.724	694.638	889.287	813.193	78.462	1.024.412	3.408.442	6.911.158
Total assets	27.211.478	62.962.093	52.490.557	141.264.309	274.403.044	101.401.062	3.942.105	663.674.648
Liabilities								
Bank deposits	8.318.481	20.266.601	7.479.819	134.209	-	-	-	36.199.110
Other deposits	79.884.430	245.403.877	62.639.788	15.969.577	516.325	1.606	-	404.415.603
Funds provided from other financial institutions ⁽³⁾	24	211.115	1.210.211	2.557.590	4.674.505	3.031.469	-	11.684.914
Money market balances	-	102.066.830	4.822	-	-	771.999	-	102.843.651
Bonds issued	-	749.585	2.699.182	8.689.289	2.035.000	-	-	14.173.056
Sundry creditors	5.917	3.883.171	173.501	1.239.030	2.552.396	10.500	604.405	8.468.920
Other liabilities ⁽¹⁾	-	6.487.000	16.806.865	314.099	10.556.366	7.679.354	44.045.710	85.889.394
Total liabilities	88.208.852	379.068.179	91.014.188	28.903.794	20.334.592	11.494.928	44.650.115	663.674.648
Liquidity gap	(60.997.374)	(316.106.086)	(38.523.631)	112.360.515	254.068.452	89.906.134	(40.708.010)	-
Net off balance sheet position	-	133.736	274.492	1.119.841	560.130	-	-	2.088.199
Derivative financial assets	-	14.864.452	4.159.053	5.332.759	1.741.067	12.283.435	-	38.380.766
Derivative financial liabilities	-	(14.730.716)	(3.884.561)	(4.212.918)	(1.180.937)	(12.283.435)	-	(36.292.567)
Non-cash loans	32.540.823	2.930.501	7.846.401	37.323.188	24.144.381	2.490.514	-	107.275.808
Prior Period								
Total Assets	23.748.554	53.811.141	18.141.032	103.106.937	184.832.518	67.520.756	5.884.463	457.045.401
Total Liabilities	52.457.126	229.940.932	62.412.521	43.682.689	16.699.244	16.795.238	35.057.651	457.045.401
Liquidity Gap	(28.708.572)	(176.129.791)	(44.271.489)	59.424.248	168.133.274	50.725.518	(29.173.188)	-
Net off balance sheet position	-	(12.519)	16.111	161.060	573.130	-	-	737.782
Derivative financial assets	-	15.932.714	3.118.560	5.162.933	1.713.612	11.092.703	-	37.020.522
Derivative financial liabilities	-	(15.945.233)	(3.102.449)	(5.001.873)	(1.140.482)	(11.092.703)	-	(36.282.740)
Non-cash loans	28.217.353	3.032.626	8.898.156	31.352.078	15.861.958	2.555.497	-	89.917.668

⁽¹⁾ Shareholders' equity is disclosed in other liabilities line under the undistributed column.

⁽²⁾ Other asset items which are not expected to be converted into cash in short term but required for continuity of banking operations like tangible and intangible assets, office supply inventory, associates and subsidiaries, prepaid expenses are disclosed in other assets under the undistributed column.

⁽³⁾ Funds provided from other financial institutions include borrowings.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

VI. EXPLANATIONS ON LEVERAGE RATIO

Leverage ratio calculated according to the article "Regulation Regarding the Measurement and Evaluation of Banks' Leverage Level" published in the Official Gazette No. 28812 dated 5 November 2013 is as follows.

	Current Period ⁽¹⁾	Prior Period ⁽¹⁾
On-Balance Sheet Items		
1.On-balance sheet items (excluding derivatives and SFTs, but including collateral)	646.318.178	449.580.786
2.Assets that are deducted from core capital	(662.221)	(217.070)
3.Total on balance sheet exposures	645.655.957	449.363.716
Derivative exposures and credit derivatives		
4.Replacement cost associated with derivative financial instruments and credit derivatives	3.072.956	1.128.580
5.The potential amount of credit risk with derivative financial instruments and credit derivatives	471.221	537.343
6.The total amount of risk on derivative financial instruments and credit derivatives	3.544.177	1.665.923
Investment securities or commodity collateral financing transactions		
7.The amount of risk investment securities or commodity collateral financing transactions (Excluding on balance sheet items)	1.993.041	3.055.227
8.Risk amount of exchange brokerage operations		-
9.Total risks related with securities or commodity financing transactions	1.993.041	3.055.227
Off -Balance Sheet Items		
10.Gross notional amount of off-balance sheet items	149.068.265	117.633.355
11.Adjustments for conversion to credit equivalent amounts	(2.065.254)	-
12.The total risk of off-balance sheet items	147.003.011	117.633.355
Capital and Total Exposures		
13.Tier 1 Capital	48.855.053	36.962.755
14.Total Exposures	798.196.186	571.718.221
Leverage Ratio		
15.Leverage Ratio	6,12%	6,47%

⁽¹⁾ The amounts in the table represent three-month averages.

VII. EXPLANATIONS ON BUSINESS SEGMENTATION

The Bank's operations are grouped under the corporate, commercial, integrated banking and treasury/investment banking categories. Branches are grouped considering the information above and are scaled according to the classification shown in the table below, with the classification reflected to the head office and branches.

The Bank is rendering services to a wide range of companies in all sectors, especially to Small and Medium Size Enterprises as well as individual consumers. In this context, the Bank has no restrictions on the area in which it operates.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

The Bank categorizes its real and legal entities that it renders services into three groups as; firms, individual customers and other customers.

Firms are composed of traders and small-scale retailers having real and legal entity status. Within the Bank's application, firms are segmented as corporate firms, commercial firms, enterprising business firms, small size enterprises and small-scale retailers.

Individual customers are real persons without having any commercial or professional purposes other than their individual demands in the Bank's application.

Other customers are referred to as associations, organizations, trade unions, foundations, societies, building managements, parent-teacher associations and similar institutions that are not included in the afore-mentioned classification.

The following are the services provided by the Bank to all of its customers:

- Accepting deposits,
- Issuance of cash, noncash loans,
- All kinds of reimbursements and cash receipt operations, including cash and deposit reimbursements, fund transfers, correspondent banking transactions and use of checking accounts,
- Purchasing cheques and bank bills,
- Performing custody services,
- Issuing payment instruments such as; credit cards, cash cards and travel cheques, and performing related transactions,
- Including spot transactions, foreign exchange transactions, trading of money market securities, bullion trading and/or performing the related custody services,
- Trading of forward transaction agreements, option agreements and financial instruments with more than one derivative instrument and performing the related intermediary services based on the economic and financial indicators, capital markets instruments, commodities, precious metals and exchange rates,
- Assuming guarantee transactions such as; warranties and other liabilities in favor of others,
- Having intermediary transactions on Interbank money market transactions,
- Rendering insurance agency transactions and individual pension services,
- Acting as a market maker in trade operations in accordance with liabilities assumed within the context of the agreement organised by the Turkish Treasury and/or Central Bank and associations,
- Trading capital market instruments and performing repurchase and reverse repo transactions,
- Acting as an intermediary in the sale process of capital market instruments by means of issuing instruments or through a public offering,
- Trading the capital market instruments in the secondary market for the purpose of performing intermediary services,
- Acting as an operator in order to provide risk management systems related to technical support and consulting services,
- Providing technical support and consulting services to Bank's subsidiaries,
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.
- Acting as a custodian in order to keep client's assets related to individual portfolio management of portfolio management companies,
- Acting as a portfolio management agency.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Under the Treasury transactions, medium and long-term fund provision is performed through securities exchange, money market operations, spot and time TRY and foreign exchange transactions, derivative instruments (such as; forwards, swaps, futures and options), syndication and securitization, etc.

Details of the segment information prepared in accordance with the Act on “Disclosure of Financial Statements of Banks and The Related Presentations and Notes” as of 30 September 2020 are presented in the table below.

Current Period (1 January-30 September 2020)	Commercial/ Corporate	Integrated	Treasury/ Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	9.376.736	18.450.226	10.397.813	38.224.775
<i>Interest on loans</i>	9.344.182	18.377.487	103.909	27.825.578
<i>Interest income on marketable securities</i>	-	56.641	10.149.194	10.205.835
<i>Interest received from banks</i>	-	-	142.923	142.923
<i>Other interest income</i>	32.554	16.098	1.787	50.439
Interest expense	6.431.984	7.480.632	8.063.523	21.976.139
<i>Interest on deposits</i>	6.314.375	7.194.097	832.550	14.341.022
<i>Interest on borrowings</i>	33.112	54.277	116.788	204.177
<i>Interest on money market borrowings</i>	-	29.810	5.008.710	5.038.520
<i>Interest on marketable bonds issued</i>	-	-	1.865.412	1.865.412
<i>Other interest expense</i>	84.497	202.448	240.063	527.008
Net interest income	2.944.752	10.969.594	2.334.290	16.248.636
Net fees and commissions income	712.618	1.115.774	131.213	1.959.605
Net trading profit / (loss)	7.031	1.933.771	(7.572.954)	(5.632.152)
Dividend income	-	-	510.776	510.776
Other income	262.926	508.701	346.121	1.117.748
Expected loss provisions	1.635.481	1.029.206	3.147.171	5.811.858
Other expenses	354.671	2.593.832	2.889.433	5.837.936
Income before taxes	1.937.175	10.904.802	(10.287.158)	2.554.819
Income tax provision	-	-	(464.652)	(464.652)
Net profit for the period	1.937.175	10.904.802	(10.751.810)	2.090.167
SEGMENT ASSETS (30 September 2020)				
Marketable securities ⁽¹⁾	-	1.514.674	156.373.146	157.887.820
Derivative financial assets held for trading	-	532.083	2.492.579	3.024.662
Banks and money market receivables	-	386	3.566.688	3.567.074
Associates and subsidiaries (net)	-	-	5.428.431	5.428.431
Loans ⁽¹⁾	149.549.741	287.636.723	865.325	438.051.789
Other assets	3.918.285	4.735.717	47.060.870	55.714.872
TOTAL ASSETS	153.468.026	294.419.583	215.787.039	663.674.648
SEGMENT LIABILITIES (30 September 2020)				
Deposits	173.730.785	241.594.609	25.289.319	440.614.713
Derivative financial liabilities	-	415.866	241.295	657.161
Money market balances	-	776.378	102.067.273	102.843.651
Borrowing funding loans	1.044.928	1.113.376	9.526.610	11.684.914
Bonds issued	-	-	14.173.056	14.173.056
Other liabilities	2.195.949	11.327.133	35.157.055	48.680.137
Provisions and tax payable	289.287	275.189	2.782.669	3.347.145
Shareholders' equity	2.773.356	11.086.407	27.814.108	41.673.871
TOTAL LIABILITIES	180.034.305	266.588.958	217.051.385	663.674.648
OFF-BALANCE SHEET ITEMS (30 September 2020)				
Guarantees and sureties	57.380.374	33.476.460	16.418.974	107.275.808
Commitments	826.921	11.656.914	35.631.229	48.115.064
Derivative financial instruments	-	15.966.003	58.707.330	74.673.333
TOTAL OFF-BALANCE SHEET ITEMS	58.207.295	61.099.377	110.757.533	230.064.205

⁽¹⁾ TFRS 9 Expected Credit Loss provisions are presented in related lines.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

VII. EXPLANATIONS ON BUSINESS SEGMENTATION (continued)

Prior Period (1 January – 30 September 2019)	Corporate/ Commercial	Integrated	Treasury / Investment	Total
OPERATING INCOME / EXPENSES				
Interest income	9.265.539	18.496.125	7.641.698	35.403.362
<i>Interest on loans</i>	9.263.336	18.135.732	39.408	27.438.476
<i>Interest income on marketable securities</i>	-	344.083	7.160.771	7.504.854
<i>Interest received from banks</i>	-	-	305.477	305.477
<i>Other interest income</i>	2.203	16.310	136.042	154.555
Interest expense	6.074.394	11.676.167	10.838.261	28.588.822
<i>Interest on deposits</i>	6.043.207	11.318.309	1.243.207	18.604.723
<i>Interest on borrowings</i>	22.296	54.611	148.017	224.924
<i>Interest on money market borrowings</i>	-	157.455	7.449.021	7.606.476
<i>Interest on marketable bonds issued</i>	-	-	1.882.676	1.882.676
<i>Other interest expense</i>	8.891	145.792	115.340	270.023
Net interest income / (loss)	3.191.145	6.819.958	(3.196.563)	6.814.540
Net fees and commissions income	834.496	951.773	263.351	2.049.620
Net trading profit / (loss)	21.127	300.544	(3.013.078)	(2.691.407)
Dividend income	-	-	421.655	421.655
Other income	852.256	444.499	749.419	2.046.174
Expected credit loss	1.604.662	1.190.836	387.488	3.182.986
Other expenses	111.639	1.857.255	2.633.542	4.602.436
Income before taxes	3.182.723	5.468.683	(7.796.246)	855.160
Income tax provision	-	-	68.590	68.590
Net profit for the period	3.182.723	5.468.683	(7.727.656)	923.750
SEGMENT ASSETS (31 December 2019)				
Marketable securities ⁽¹⁾	-	4.833.999	97.890.183	102.724.182
Derivative financial assets	-	211.149	940.885	1.152.034
Banks and money market receivables	-	570	3.749.680	3.750.250
Associates and subsidiaries (net)	-	-	3.749.667	3.749.667
Loans ⁽¹⁾	115.269.461	179.703.613	2.833.363	297.806.437
Other assets	3.903.011	3.381.194	40.578.626	47.862.831
TOTAL ASSETS	119.172.472	188.130.525	149.742.404	457.045.401
SEGMENT LIABILITIES (31 December 2019)				
Deposits	105.106.115	174.651.324	17.976.737	297.734.176
Derivative financial liabilities	-	148.937	204.781	353.718
Money market balances	-	2.951.294	50.249.750	53.201.044
Borrowing funding loans	1.028.956	1.150.633	8.837.252	11.016.841
Bonds issued	-	-	17.591.287	17.591.287
Other liabilities	1.667.559	8.660.217	31.352.032	41.679.808
Provisions and tax payable	229.542	288.258	2.753.901	3.271.701
Shareholders' equity	4.053.543	7.964.223	20.179.060	32.196.826
TOTAL LIABILITIES	112.085.715	195.814.886	149.144.800	457.045.401
OFF-BALANCE SHEET ITEMS (31 December 2019)				
Guarantees and sureties	47.716.159	27.348.373	14.853.136	89.917.668
Commitments	645.977	9.433.236	20.546.067	30.625.280
Derivative financial instruments	-	17.613.566	55.689.696	73.303.262
TOTAL OFF-BALANCE SHEET ITEMS	48.362.136	54.395.175	91.088.899	193.846.210

⁽¹⁾ TFRS 9 Expected Credit Loss provisions is presented in related lines.

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SECTION IV: INFORMATION RELATED TO FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (continued)

VIII. EXPLANATIONS ON RISK MANAGEMENT AND RISK WEIGHTED AMOUNTS

Overview of Risk Weighted Amounts^(*):

	Risk Weighted Amounts		Minimum Capital Requirements		
	Current Period	Prior Period	Current Period	Prior Period	
1	Credit risk (excluding counterparty credit risk) (CCR) ^(**)	337.683.385	287.606.055	27.014.672	23.008.484
2	Standardized approach (SA)	337.683.385	287.606.055	27.014.672	23.008.484
3	Internal rating-based (IRB) approach	-	-	-	-
4	Counterparty credit risk ^(**)	4.655.978	5.791.239	372.478	463.299
5	Standardized approach for counterparty credit risk (SA-CCR)	4.655.978	5.791.239	372.478	463.299
6	Internal model method (IMM)	-	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-	-
8	Investments made in collective investment companies look-through approach	-	-	-	-
9	Investments made in collective investment companies mandate-based approach	-	-	-	-
10	Investments made in collective investment companies 1250% weighted risk approach	-	-	-	-
11	Settlement risk	-	-	-	-
12	Securitization positions in banking accounts	-	-	-	-
13	IRB ratings-based approach (RBA)	-	-	-	-
14	IRB Supervisory Formula Approach (SFA)	-	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-	-
16	Market risk	22.163.838	11.483.275	1.773.107	918.662
17	Standardized approach (SA)	22.163.838	11.483.275	1.773.107	918.662
18	Internal model approaches (IMM)	-	-	-	-
19	Operational Risk	19.789.493	18.625.782	1.583.159	1.490.063
20	Basic Indicator Approach	19.789.493	18.625.782	1.583.159	1.490.063
21	Standard Approach	-	-	-	-
22	Advanced measurement approach	-	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	1.246.503	1.241.710	99.720	99.337
24	Floor adjustment	-	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	385.539.197	324.748.061	30.843.136	25.979.845

^(*) Amounts below the thresholds for deductions from capital are excluded from credit risk standard approach of RWA amount.

^(**) Based on the BRSA's decision dated 23 March 2020 and numbered 24049440-045.01-E.3397, foreign exchange buying rates used in the preparation of the 31 December 2019 financial statements were used in the calculation of the amount subject to credit risk.

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SECTION V : EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS

(1) a) Cash and Central Bank of the Republic of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Cash and foreign currency	1.591.091	3.997.743	1.370.216	2.295.551
CBRT	4.273.438	31.511.382	1.102.242	29.720.567
Other	-	26	-	5
Total	5.864.529	35.509.151	2.472.458	32.016.123

b) Information on balances with the Central Bank of the Republic of Turkey:

	Current period		Prior period	
	TRY	FC	TRY	FC
Demand unrestricted amount ⁽¹⁾	4.157.769	13.908.143	1.049.181	15.456.782
Time unrestricted amount	-	-	-	-
Time restricted amount	-	-	-	200.627
Other ⁽²⁾	115.669	17.603.239	53.061	14.063.158
Total	4.273.438	31.511.382	1.102.242	29.720.567

⁽¹⁾ Reserve deposits kept in the CBRT.

⁽²⁾ Blocked reserve deposits kept in the CBRT and Central Bank of TRNC.

As per the Communiqué no. 2013/15 “Reserve Deposits” of the Central Bank of the Republic of Turkey (CBRT), banks operating in Turkey keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-7% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 8%-24% varied according to their maturity compositions. The banks, whose credit growth rate is at qualified reference interval, keep reserve deposits for their TRY liabilities held at TRY, US Dollar, Euro and/or standard gold and/or scrap gold with reserve deposit rates between 1%-4% varied according to their maturity compositions, for their FC liabilities at TRY, US Dollar, Euro and/or standard gold with reserve deposit rates between 5%-22% varied according to their maturity compositions. In accordance with the related communiqué, Central Bank of the Republic of Turkey pays interests to reserves held in TRY.

Starting from 10 July 2020, the interest related to the reserve requirements for banks held at TRY is paid as 700 basis points for banks whose credit growth rate is at qualified reference interval, and 0 basis points for banks whose credit growth rate is out of the reference interval.

With the change dated 2 January 2020, it has been decided to apply a commission charge on the reserve accounts and notice accounts held within the CBRT by 0,025 annually for foreign currencies held in USD up to the amount required to be held for deposit / participation fund liabilities in USD, and by 0,0025 annually for foreign currencies held in EUR and USD up to the amount required to be held for deposit / participation fund liabilities in other currencies except USD.

With the change on 2 May 2015 made by the CBRT, execution of interest payments has been started for USD denominated reserve requirements, reserve options and free reserves held at CBRT. The interest rate is set on daily basis within the frame of global and local financial market conditions. The applicable yearly interest rate is 0 percent (announced on 19 September 2019).

With the decision No.1072 dated 27 December 2019 of the Central Bank of the TRNC, reserve requirement ratio is applied between 5% to 8% for the Turkish currency and foreign currency liabilities as of 15 April 2020.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(2) Financial assets at fair value through profit and loss:

a) Financial assets at fair value through profit and loss blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	-	-	2.167.331	-
Total	-	-	2.167.331	-

b) Financial assets at fair value through profit and loss subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	15.615.860	-	13.534.565	-
Total	15.615.860	-	13.534.565	-

c) Positive differences related to the derivative financial assets at fair value through profit or loss:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	-	129.061	-	53.558
Swap transactions	27.098	2.868.429	3.695	1.091.646
Futures transactions	-	-	-	-
Options	-	74	1	3.134
Other	-	-	-	-
Total	27.098	2.997.564	3.696	1.148.338

(3) Information on banks and other financial institutions:

a) Information on banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks				
Domestic banks	159.334	44.978	302.313	1.115.022
Foreign banks	117.150	3.245.809	205.103	2.128.029
Branches and offices abroad	-	-	-	-
Total	276.484	3.290.787	507.416	3.243.051

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(4) Information on financial assets at fair value through other comprehensive income:

a) Financial assets at fair value through other comprehensive income blocked/given as collateral or subject to repurchase agreements:

a.1. Information on financial assets at fair value through other comprehensive income blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	2.785.045	20.876.541	-	1.999.958
Total	2.785.045	20.876.541	-	1.999.958

a.2. Information on financial assets at fair value through other comprehensive income subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar securities	23.250.132	-	810.717	-
Total	23.250.132	-	810.717	-

b) Information on financial assets at fair value through other comprehensive income portfolio:

	Current Period	Prior Period
Debt securities	58.773.999	14.026.728
<i>Quoted on a stock exchange</i>	58.765.891	14.026.728
<i>Not quoted</i>	8.108	-
Equity Securities	405.343	249.356
<i>Quoted on a stock exchange</i>	346.779	212.757
<i>Not quoted</i>	58.564	36.599
Impairment provision (-)	135.616	17.300
Total	59.043.726	14.258.784

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans:

a) Information on all types of loans and advances given to shareholders and employees of the Bank:

	Current period		Prior period	
	Cash loans	Non-Cash loans	Cash loans	Non-Cash loans
Direct loans granted to shareholders	-	-	-	-
<i>Corporate shareholders</i>	-	-	-	-
<i>Real person shareholders</i>	-	-	-	-
Indirect loans granted to shareholders	-	-	-	-
Loans granted to employees	526.549	-	389.804	-
Toplam	526.549	-	389.804	-

b) Information on the first and second group loans and other receivables including loans that have been restructured or rescheduled:

Cash Loans	Standard Loans and Other Receivables	Loans and other receivables under close monitoring		
		Loans and Receivables Not Subject to restructuring	Restructured Loans and Receivables	
			Loans and Receivables with Revised Contract Terms	Refinance
Non-specialized loans	323.445.826	17.556.856	38.759	13.332.910
<i>Corporation loans</i>	188.143.316	12.409.150	-	13.321.848
<i>Export loans</i>	13.323.806	263.946	-	-
<i>Import loans</i>	-	-	-	-
<i>Loans given to financial sector</i>	5.168.356	1.930.000	-	-
<i>Consumer loan</i>	77.017.879	740.813	37.780	4.678
<i>Credit cards</i>	12.432.764	557.696	979	-
<i>Other</i>	27.359.705	1.655.251	-	6.384
Specialized lending	73.148.847	1.731.512	-	48
Other receivables	-	-	-	-
Accruals	6.280.656	1.504.637	1.307	693.394
Total	402.875.329	20.793.005	40.066	14.026.352

	Standard Loans		Loans Under Close Monitoring	
	Current Period	Prior Period	Current Period	Prior Period
12 Months Expected Loss Provision	1.950.431	1.303.546	-	-
Significant Increase in Credit Risk	-	-	3.544.799	1.215.456

1. It is observed that the increase in the ECL allocated for the stage 1 loans is in parallel with the increase in the credit risk, and the ECL ratio is in line with the prior period.

2. It is seen that the increase in the ECL reserved for the stage 2 loans is due to the significant increase in the credit risk within the scope of TFRS 9 Standard and the increase in the Bank's close monitoring figures.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

c) Information on consumer loans, individual credit cards, personnel loans and credit cards^(*):

Current Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	588.161	75.611.093	76.199.254
<i>Real estate loans</i>	6.709	48.275.817	48.282.526
<i>Automobile loans</i>	3.760	549.731	553.491
<i>Consumer loans</i>	577.692	26.785.545	27.363.237
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	4.164.644	968	4.165.612
<i>Installment</i>	1.663.491	968	1.664.459
<i>Non-installment</i>	2.501.153	-	2.501.153
Individual credit cards-FC	224	-	224
<i>Installment</i>	-	-	-
<i>Non-installment</i>	224	-	224
Personnel loans-TRY	23.457	361.510	384.967
<i>Real estate loans</i>	-	108	108
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	23.457	361.402	384.859
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	121.568	-	121.568
<i>Installment</i>	45.019	-	45.019
<i>Non-installment</i>	76.549	-	76.549
Personnel credit cards-FC	24	-	24
<i>Installment</i>	-	-	-
<i>Non-installment</i>	24	-	24
Overdraft accounts-TRY (Retail customers) ^(**)	1.216.929	-	1.216.929
Overdraft accounts-FC (Retail customers)	-	-	-
Total	6.115.007	75.973.571	82.088.578

^(*) Interest income accruals and rediscounts are not included in the table above.

^(**) TRY 19.990 of the overdraft account consists of loans given to personnel.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

c) Information on consumer loans, individual credit cards, personnel loans and credit cards (continued)*:

Prior Period	Short-term	Medium and long-term	Total
Consumer loans-TRY	548.125	44.517.031	45.065.156
<i>Real estate loans</i>	6.865	28.443.572	28.450.437
<i>Automobile loans</i>	4.954	270.544	275.498
<i>Consumer loans</i>	536.306	15.802.915	16.339.221
<i>Other</i>	-	-	-
Consumer loans- Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Consumer loans- FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Individual credit cards-TRY	3.672.274	540	3.672.814
<i>Installment</i>	1.373.015	540	1.373.555
<i>Non-installment</i>	2.299.259	-	2.299.259
Individual credit cards-FC	531	-	531
<i>Installment</i>	-	-	-
<i>Non-installment</i>	531	-	531
Personnel loans-TRY	21.068	239.546	260.614
<i>Real estate loans</i>	-	238	238
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	21.068	239.308	260.376
<i>Other</i>	-	-	-
Personnel loans-Indexed to FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel loans-FC	-	-	-
<i>Real estate loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	-	-
<i>Other</i>	-	-	-
Personnel credit cards-TRY	105.407	-	105.407
<i>Installment</i>	36.764	-	36.764
<i>Non-installment</i>	68.643	-	68.643
Personnel credit cards-FC	87	-	87
<i>Installment</i>	-	-	-
<i>Non-installment</i>	87	-	87
Overdraft accounts-TRY (Retail customers) (**)	1.159.618	-	1.159.618
Overdraft accounts-FC (Retail customers)	-	-	-
Total	5.507.110	44.757.117	50.264.227

(*) Interest income accruals and rediscounts are not included in the table above.

(**) TRY 23.696 of the overdraft account consists of loans given to personnel.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

d) Information on commercial installments loans and corporate credit cards^(*):

Current Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	701.651	39.120.731	39.822.382
<i>Business premises loans</i>	6.192	807.902	814.094
<i>Automobile loans</i>	40.056	993.235	1.033.291
<i>Consumer loans</i>	655.403	37.319.594	37.974.997
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	19.878	19.878
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	-	19.878	19.878
<i>Other</i>	-	-	-
Commercial installment loans - FC	82.232	26.715.540	26.797.772
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	82.232	26.715.540	26.797.772
<i>Other</i>	-	-	-
Corporate credit cards-TRY	8.703.680	-	8.703.680
<i>Installment</i>	5.363.439	-	5.363.439
<i>Non-installment</i>	3.340.241	-	3.340.241
Corporate credit cards-FC	331	-	331
<i>Installment</i>	-	-	-
<i>Non-installment</i>	331	-	331
Overdraft accounts-TRY (Commercial customers)	2.506.779	-	2.506.779
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	11.994.673	65.856.149	77.850.822

(*) Interest and income accruals and rediscounts are not included in table above.

Prior Period	Short-term	Medium and long-term	Total
Commercial installment loans-TRY	1.028.247	37.237.477	38.265.724
<i>Business premises loans</i>	2.997	624.487	627.484
<i>Automobile loans</i>	32.702	671.338	704.040
<i>Consumer loans</i>	992.548	35.941.652	36.934.200
<i>Other</i>	-	-	-
Commercial installment loans- Indexed to FC	-	43.082	43.082
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	135	135
<i>Consumer loans</i>	-	42.947	42.947
<i>Other</i>	-	-	-
Commercial installment loans - FC	115.130	18.022.986	18.138.116
<i>Business premises loans</i>	-	-	-
<i>Automobile loans</i>	-	-	-
<i>Consumer loans</i>	115.130	18.022.986	18.138.116
<i>Other</i>	-	-	-
Corporate credit cards-TRY	2.728.827	-	2.728.827
<i>Installment</i>	1.035.348	-	1.035.348
<i>Non-installment</i>	1.693.479	-	1.693.479
Corporate credit cards-FC	191	-	191
<i>Installment</i>	-	-	-
<i>Non-installment</i>	191	-	191
Overdraft accounts-TRY (Commercial customers)	2.227.970	-	2.227.970
Overdraft accounts-FC (Commercial customers)	-	-	-
Total	6.100.365	55.303.545	61.403.910

(*) Interest and income accruals and rediscounts are not included in table above.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

e) Domestic and foreign loans^(*):

	Current Period	Prior Period
Domestic loans	434.332.276	290.726.869
Foreign loans	3.402.476	2.561.151
Total	437.734.752	293.288.020

^(*)Non-performing loans balance is not included in the table above.

f) Loans granted to subsidiaries and associates:

	Current Period	Prior Period
Direct loans granted to subsidiaries and associates	3.247.991	2.331.642
Indirect loans granted to subsidiaries and associates	-	-
Total	3.247.991	2.331.642

g) Specific provisions related to loans or credit-impaired losses (Stage III):

	Current Period	Prior Period
Loans and receivables with limited collectability	448.931	1.044.059
Loans and receivables with doubtful collectability	284.230	2.001.698
Uncollectible loans and receivables	9.643.921	5.836.905
Total	10.377.082	8.882.662

The reasons of increase in the expected loss provision for the Bank's Stage 3 loans are additions to non-performing loan portfolio and increasing loss given default ratio after initial transferring date to non-performing loan portfolio.

h) Information on non-performing loans (Net):

h.1. Information on non-performing loans and restructured loans:

	III. Group	IV. Group	V. Group
	Loans and	Loans and	Uncollectible
	receivables with	receivables with	loans and
	limited	doubtful	receivables
	collectability	collectability	
Current period			
Gross amounts before the specific provisions	270.652	95.111	1.765.449
Rescheduled loans and other receivables	270.652	95.111	1.765.449
Prior period			
Gross amounts before the specific provisions	134.442	95.916	1.331.355
Rescheduled loans and other receivables	134.442	95.916	1.331.355

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

h) Information on non-performing loans (Net) (continued):

h.2. Information on the movement of non-performing loans:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period			
Prior period end balance	2.811.379	4.508.885	8.599.817
Additions (+)	2.097.660	132.615	1.586.974
Transfers from other categories of loans under follow-up (+)	-	2.107.783	5.418.342
Transfers to other categories of loans under follow-up (-)	2.772.979	4.753.146	-
Collections (-)	664.793	1.295.362	995.945
Write-offs (-)	-	-	591.881
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	1.471.267	700.775	14.017.307
Provision (-)	448.931	284.230	9.643.921
Net balance on balance sheet	1.022.336	416.545	4.373.386
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior Period			
Prior period end balance	1.533.724	1.165.570	5.828.554
Additions (+)	7.381.579	869.005	865.958
Transfers from other categories of loans under follow-up (+)	-	5.559.337	2.681.892
Transfers to other categories of loans under follow-up (-)	5.662.391	2.578.838	-
Collections (-)	441.533	506.189	776.587
Write-offs (-)	-	-	-
Sold (-)	-	-	-
<i>Corporate and Commercial Loans</i>	-	-	-
<i>Consumer Loans</i>	-	-	-
<i>Credit Cards</i>	-	-	-
<i>Other</i>	-	-	-
Current period end balance	2.811.379	4.508.885	8.599.817
Provision (-)	1.044.059	2.001.698	5.836.905
Net balance on balance sheet	1.767.320	2.507.187	2.762.912

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

h) Information on non-performing loans (Net) (continued):

h.3. Information on foreign currency non-performing loans and other receivables^(*):

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period			
Balance at the end of the period	285.588	143.478	4.113.684
Provisions(-)	111.107	56.719	3.303.249
Net balance in the balance sheet	174.481	86.759	810.435
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period			
Balance at the end of the period	532.183	1.405.092	2.570.885
Provisions(-)	219.456	838.579	1.456.665
Net balance in the balance sheet	312.727	566.513	1.114.220

^(*)Rediscounts are not included.

h.4. Gross and net amounts of non-performing loans according to user groups:

	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current period (Net)	1.022.336	416.545	4.373.386
Loans to granted real persons and legal entities (Gross)	1.471.267	700.775	14.017.307
Provisions (-)	448.931	284.230	9.643.921
Loans to granted real persons and legal entities (Net)	1.022.336	416.545	4.373.386
Banks (Gross)	-	-	-
Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-
	III. Group	IV. Group	V. Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Prior period (Net)	1.767.320	2.507.187	2.762.912
Loans to granted real persons and legal entities (Gross)	2.811.379	4.508.885	8.599.817
Specific provisions (-)	1.044.059	2.001.698	5.836.905
Loans to granted real persons and legal entities (Net)	1.767.320	2.507.187	2.762.912
Banks (Gross)	-	-	-
Specific provisions (-)	-	-	-
Banks (Net)	-	-	-
Other loans and receivables (Gross)	-	-	-
Specific provisions (-)	-	-	-
Other loans and receivables (Net)	-	-	-

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(5) Information on loans (continued):

i) Information on interest accruals, rediscounts and valuation differences calculated for non-performing loans and their provisions:

	III. Group	IV. Group	V.Group
	Loans and receivables with limited collectability	Loans and receivables with doubtful collectability	Uncollectible loans and receivables
Current Period (Net)	12.721	15.213	762.805
Interest Accruals and Valuation Differences	27.132	39.097	2.154.344
Provision (-)	14.411	23.884	1.391.539
Prior Period (Net)	178.370	480.875	276.465
Interest Accruals and Valuation Differences	297.156	919.194	768.213
Provision (-)	118.786	438.319	491.748

j) Main guidelines of the liquidation policy of the Bank about the uncollectible loans and receivables:

The Bank liquidates its uncollectible receivables through three methods. These are by signing financial restructuring contract under the Law No: 4743, by making payment protocols and by presenting adequate repayment schedules for the lower amount of receivables. Within the context of this collection policy, non-performing loans are collected in considerable amounts. Collections are firstly offset against lawsuits and expenses, interest and principle receivables from loans.

k) Explanations on write-off policy:

As per the provisions of TFRS 9 Financial Instruments Standard and the Provisions Communique of the BRSA dated 27 November 2019, banks are allowed to derecognize the portion of the loans under follow-up in loan Group 5 which no reasonable expectation remains.

The Bank derecognised TRY 591.881 of 5th group follow-up loans in the current period due to the lack of reasonable expectations.

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(6) Information on financial assets measured at amortised cost:

a) Information on financial assets measured at amortised cost blocked/given as collateral or subject to repurchase agreement transactions are explained comparatively with net value:

a.1. Financial assets measured at amortised cost investments blocked/given as collateral:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	-	-	-	-
Government bonds and similar securities	44.405.778	22.102.676	3.044.934	9.849.904
Total	44.405.778	22.102.676	3.044.934	9.849.904

a.2. Financial assets measured at amortised cost investments subject to repurchase agreements:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Treasury bills, government bonds and similar	11.767.326	1.514.674	35.754.611	4.806.422
Total	11.767.326	1.514.674	35.754.611	4.806.422

b) Information on public sector debt investments financial assets measured at amortised cost:

	Current Period	Prior Period
Government bonds	81.676.852	72.004.446
Treasury bills	-	-
Other public sector debt securities	834.765	153.396
Total	82.511.617	72.157.842

c) Information on financial assets measured at amortised cost:

	Current Period	Prior Period
Debt securities	82.562.135	72.208.355
<i>Quoted on a stock exchange</i>	82.562.135	72.208.355
<i>Not quoted</i>	-	-
Impairment provision (-)	-	-
Total	82.562.135	72.208.355

d) Movement of financial assets measured at amortised cost within the year:

	Current Period	Prior Period
Beginning balance	72.208.355	56.073.053
Foreign currency differences on monetary assets	6.097.162	1.290.698
Purchases during the year ⁽¹⁾	16.662.240	18.670.158
Disposals through sales and redemptions	(12.365.622)	(3.825.554)
Impairment provision (-)	-	-
Balance at the end of the period	82.562.135	72.208.355

⁽¹⁾ Interest income accrual differences between 30 September 2020 amounting to TRY 11.634.482 and 31 December 2019 amounting to TRY 9.631.831 has been included in purchases row.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(7) Information on associates (Net):

a) Information on associates:

Description	Address (City/ Country)	Bank's share percentage, if different- voting percentage (%)	Bank's risk group share percentage (%)
1. Demir-Halkbank NV ⁽¹⁾	The Netherlands	30,00	30,00
2. Kobi Girişim Sermayesi Yatırım Ortaklığı AŞ ⁽¹⁾	Ankara	31,47	33,12
3. Türk P ve I Sigorta AŞ ⁽¹⁾	Istanbul	16,67	16,67
4. Kredi Kayıt Bürosu AŞ ⁽²⁾	Istanbul	18,18	18,18
5. Platform Ortak Kartlı Sistemler A.Ş. Bileşim Finansal Teknolojiler ve Ödeme Sis.	Istanbul	20,00	20,00
6. AŞ ⁽²⁾	Istanbul	33,33	33,33

b) Information related to the associates as shown in (a):

	Total assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit/loss	Prior period profit/loss	Fair value ⁽³⁾
1.	13.790.839	2.228.291	34.746	245.277	7.963	45.061	77.551	659.978
2.	52.644	51.631	21	2.336	-	(1.516)	2.763	-
3.	178.667	46.367	1.758	767	-	20.113	5.205	-
4.	368.488	215.544	197.561	4.781	-	43.294	26.579	-
5.	5.250	5.250	-	-	-	-	-	-
6.	82.474	49.867	17.248	1.497	-	1.852	12.605	27.997

⁽¹⁾ The financial data is obtained from 30 September 2020 financial statements used in consolidation.

⁽²⁾ The financial data is obtained from unreviewed financial statements as of 30 September 2020.

⁽³⁾ Financial information on the fair value of Demir Halkbank NV has been obtained from valuation report as of 30 September 2020.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(7) Information on associates (Net) (continued):

d) Movement of associates:

	Current Period	Prior Period
Balance at the beginning of the period	507.786	438.318
Movements during the period	199.685	69.468
<i>Purchases</i>	-	1.750
<i>Bonus shares obtained profit from current year's share</i>	12.709	875
<i>Dividends from current year income</i>	-	-
<i>Sales</i>	(700)	-
<i>Transfers⁽¹⁾⁽²⁾</i>	10.369	-
<i>Revaluation decrease (-) / increase</i>	177.307	66.843
<i>Impairment provisions (-) / reversals</i>	-	-
Balance at the end of the period	707.471	507.786
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş. amounting to TRY 27.997 after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

⁽²⁾ Due to change of share percentage, the Bank has classified the shares of Bankalararası Kart Merkezi A.Ş. to the financial assets at fair value through other comprehensive income in the current period, which were classified as associates in the prior period.

d) Sectorial information and related carrying amounts of associates:

	Current Period	Prior Period
Banks	659.978	482.671
Insurance companies	4.412	2.495
Factoring companies	-	-
Leasing companies	-	-
Financing companies	-	-
Other financial investments	11.518	11.518
Other non- financial investments	31.563	11.102

e) Associates quoted on a stock exchange:

None.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(8) Information on subsidiaries (Net):

a) Information on subsidiaries⁽¹⁾:

	Halk Yatırım Menkul Değerler AŞ	Halk Gayrimenkul Yatırım Ortaklığı AŞ	Halk Finansal Kiralama AŞ	Halk Banka A.D., Skopje	Halk Faktoring AŞ	Halkbank A.D. Beograd	Halk Varlık Kiralama AŞ
COMMON EQUITY							
TIER I CAPITAL							
Paid in Capital	104.000	970.000	323.000	600.732	96.000	213.395	100
Effect of Inflation Adjustment on Paid in Capital	-	-	-	-	-	-	-
Share premium	-	49.945	-	11.633	-	99.004	-
Reserves	54.881	75.558	15.417	610.721	24.413	546.272	1.692
Other Comprehensive Income according to TAS	17.075	859.325	-	9.867	10	24.061	-
Profit / Loss	125.203	26.873	(25.216)	30.811	68.933	52.543	252
<i>Net Profit</i>	125.203	26.873	49.482	50.177	74.880	28.343	252
<i>Prior Period Profit/Loss</i>	-	-	(74.698)	(19.366)	(5.947)	24.200	-
Bonus Shares from Associates, Subsidiaries and Joint Ventures not Accounted in Current Period's Profit	-	-	-	-	-	-	-
Current and Prior Periods' Losses not Covered by Reserves, and Losses Accounted under Equity according to TAS (-)	-	24	95	613	-	-	-
Leasehold Improvements (-)	-	2.783	-	15.820	-	8.385	-
Intangible Assets (-)	1.782	323	1.896	17.011	1.677	21.980	2
Total Core Capital	299.377	1.978.571	311.210	1.230.320	187.679	904.910	2.042
SUPPLEMENTARY CAPITAL	-	-	48.176	18.621	28.524	11.083	-
CAPITAL	299.377	1.978.571	359.386	1.248.941	216.203	915.993	2.042
NET AVAILABLE CAPITAL	299.377	1.978.571	359.386	1.248.941	216.203	915.993	2.042

⁽¹⁾ The information is presented from companies' financial statements as of 30 September 2020.

There is no internal capital adequacy assessment approach for the subsidiaries.

Paid in capital has been indicated as Turkish Lira in articles of incorporation and registered in trade registry.

Effect of inflation adjustments on paid in capital is the difference caused by the inflation adjustment on shareholders' equity items.

Extraordinary reserves are the status reserves which have been appropriated with the General Assembly decision after distributable profit have been transferred to legal reserves.

Legal reserves are the status reserves which have been appropriated from distributable profit in accordance with the related clauses of Turkish Commercial Code no. 6102.

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(8) Information on subsidiaries (Net) (continued):

b) Information on subsidiaries:

Description	Address (City/ Country)	Bank's share percentage, if different-voting percentage (%)	Bank's risk group share percentage (%)
1. Halk Yatırım Menkul Değerler AŞ	İstanbul	99,96	99,97
2. Halk Gayrimenkul Yatırım Ortaklığı AŞ ^{(2) (3)}	İstanbul	79,33	79,36
3. Halk Finansal Kiralama AŞ	İstanbul	100,00	100,00
4. Halk Banka AD, Skopje	Makedonya	99,40	99,40
5. Halk Faktoring AŞ	İstanbul	97,50	99,99
6. Halkbank A.D. Beograd	Sırbistan	100,00	100,00
7. Halk Varlık Kiralama AŞ	İstanbul	100,00	100,00

c) Information related to the subsidiaries as shown in (b)⁽¹⁾:

	Total Shareholders' assets	Shareholders' equity	Total fixed assets	Interest income	Income from marketable securities portfolio	Current period profit / loss	Prior period profit / loss	Fair Value
1.	937.036	301.159	8.770	53.763	16.022	125.203	49.821	294.882
2.	2.427.818	1.954.331	1.642.301	1.985	-	26.873	40.538	1.668.301
3.	4.292.561	313.106	4.072	275.243	-	49.482	(6.721)	385.000
4.	9.073.653	1.263.151	240.280	183.650	11.830	50.177	42.479	1.303.441
5.	1.805.438	189.356	3.351	234.028	-	74.880	38.305	231.075
6.	6.133.223	935.275	133.497	126.647	18.731	28.343	20.143	835.361
7.	1.007.571	2.044	2	-	-	252	539	2.900

⁽¹⁾ The financial data is obtained from 30 September 2020 financial statements used in consolidation.

⁽²⁾ Halk Gayrimenkul Yatırım Ortaklığı AŞ is valued at stock price.

⁽³⁾ The Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ was privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

d) Movement of the subsidiaries:

	Current Period	Prior Period
Balance at the beginning of the period	3.241.881	4.332.481
Movements during the period	1.479.079	(1.090.600)
Purchase ⁽⁴⁾	148.506	89.974
Bonus shares obtained profit from current year's share	30.224	171.789
Dividends from current year income	-	-
Sales ⁽²⁾	(56.003)	-
Transfer ⁽¹⁾⁽³⁾	(27.997)	(2.576.996)
Revaluation Increase/Decrease	1.384.349	1.039.403
Impairment Provisions (-)/ Reversals	-	185.230
Balance at the end of the period	4.720.960	3.241.881
Capital commitments	-	-
Share percentage at the end of the period (%)	-	-

⁽¹⁾ The Bank classified the shares of Halk Sigorta AŞ and Halk Hayat ve Emeklilik AŞ as non-current assets held for sale in the prior period.

⁽²⁾ The Bank has sold the shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş . which were held for sale.

⁽³⁾ The Bank has classified the remaining shares of Bileşim Finansal Teknolojiler ve Ödeme Sistemleri A.Ş after the sale in the current period as an associate, which were classified as a subsidiary in the previous period.

⁽⁴⁾ The Bank increased its share in Halk Banka AD, Skopje in Macedonia to 99,40% by purchasing 0,11% of the shares of HalkBank AD, Skopje for a price of TRY 148.506 in the current period.

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(8) Information on subsidiaries (Net) (continued):

e) Sectorial information on subsidiaries and the related carrying amounts:

	Current Period	Prior Period
Banks	2.138.802	1.429.212
Insurance companies	-	-
Factoring companies	231.075	231.075
Leasing companies	385.000	385.000
Financing companies	-	-
Other financial subsidiaries	1.966.083	1.112.594
Other non-financial subsidiaries	-	84.000

f) Subsidiaries quoted in the stock exchange:

	Current Period	Prior Period
Quoted to domestic stock ⁽¹⁾	1.668.301	814.812
Quoted foreign stock exchange	-	-

⁽¹⁾ The Bank's subsidiary Halk Gayrimenkul Yatırım Ortaklığı AŞ has privatized by a public offering on 22 February 2013 and the shares are traded on the Borsa İstanbul AŞ.

(9) Information on jointly controlled entities (joint ventures):

None.

(10) Information on finance lease receivables (Net):

None.

(11) Information on derivative financial assets for hedging purposes:

None.

(12) Information on investment property:

	Current Period	Prior Period
Cost:		
Opening Balance	434.764	432.347
Acquisitions	793	2.417
Transfer	-	-
Disposals	-	-
Impairment Charge/Reversal	-	-
Ending Balance	435.557	434.764
Accumulated Depreciation (-)		
Opening Balance	78.737	75.499
Amortization Charge	2.496	3.238
Transfer	-	-
Disposals	-	-
Impairment Provisions	-	-
Total Accumulated Depreciation (-)	81.233	78.737
Net Book Value	354.324	356.027

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I. EXPLANATIONS AND NOTES RELATED TO THE ASSETS (continued)

(13) Information on tax assets:

Please refer to Section 5 Explanations related to the Liabilities, footnote (9) (b).

(14) Information on assets held for sale and held from discontinued operations:

	Current Period	Prior Period
Cost	-	2.576.996
Accumulated Depreciation (-)	-	-
Net book value	-	2.576.996
Prior Period Closing Balance	2.576.996	39.377
Acquisitions	-	145.599
Transfer (net)	-	2.431.395
Disposals (net)	(2.576.996)	(39.375)
Revaluation Increase	-	-
Impairment/Reversal	-	-
Depreciation	-	-
Closing net book value	-	2.576.996

Share purchase agreement was signed by and between the Bank, as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Sigorta A.Ş representing 89,18% of its share capital held by the Bank, and representing 6,14% of its share capital held by Halk Yatırım Menkul Değerler A.Ş, and the mentioned transfer of shares was completed at the same date. Share purchase agreement was signed by and between the Bank, as seller and Türkiye Varlık Fonu Finansal Yatırımlar A.Ş., as purchaser on 22 April 2020, for the transfer of the shares in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital held by the Bank, and the mentioned transfer of shares was completed at the same date.

For the total shares held by the Bank in Halk Sigorta A.Ş representing 89,18% of its share capital, the price per share to be paid to the Bank is determined as TRY 0,0186 (full TRY) and the total sale price is TRY 578.905.

For the total shares held by the Bank in Halk Hayat ve Emeklilik A.Ş. representing 100% of its share capital, the price per share to be paid to the Bank is determined as TRY 4,1149 (full TRY) and the total sale price is TRY 1.695.339. In addition, TRY 306.994 of dividend income has been obtained from the company in the current period.

Net profit from the sale is accounted under equity.

(15) Information on other assets:

Other assets balance in the balance sheet amounts to TRY 5.276.233 and does not exceed 10% of the balance sheet total (31 December 2019: TRY 2.751.529).

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES

(1) Information on maturity structure of deposits / funds collected:

a) Information on deposit / funds collected:

Current period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	13.342.169	-	7.425.480	54.046.601	4.232.494	794.179	2.044.860	119.281	82.005.064
Foreign currency deposits	32.697.575	-	13.541.989	86.779.291	4.319.844	3.076.124	7.824.390	13.683	148.252.896
<i>Residents in Turkey</i>	28.530.741	-	13.257.216	83.276.747	3.685.507	1.943.735	4.568.475	13.106	135.275.527
<i>Residents abroad</i>	4.166.834	-	284.773	3.502.544	634.337	1.132.389	3.255.915	577	12.977.369
Public sector deposits	4.102.899	-	27.344.953	4.293.775	605.948	173.466	2.597	-	36.523.638
Commercial inst. deposits	11.880.287	-	32.803.717	39.912.078	1.789.247	655.563	3.355.666	-	90.396.558
Other inst. deposits	1.080.155	-	3.734.733	16.720.257	1.020.322	64.476	4.093.246	-	26.713.189
Precious metals	16.781.345	-	99.518	3.112.385	318.016	76.631	136.363	-	20.524.258
Interbank deposits	8.318.481	-	15.078.073	12.333.812	468.744	-	-	-	36.199.110
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	118.403	-	13.439.095	7.589.467	468.744	-	-	-	21.615.709
<i>Foreign banks</i>	8.200.078	-	102.335	4.744.345	-	-	-	-	13.046.758
<i>Participation banks</i>	-	-	1.536.643	-	-	-	-	-	1.536.643
Total	88.202.911	-	100.028.463	217.198.199	12.754.615	4.840.439	17.457.122	132.964	440.614.713

Prior period:

	Demand	7 day call accounts	Up to 1 month	1-3 months	3-6 months	6 months year	1 year and over	Cumulative deposits	Total
Saving deposits	9.219.590	-	2.990.893	46.343.141	5.295.377	765.203	3.417.350	102.285	68.133.839
Foreign currency deposits	19.029.911	-	6.323.568	70.793.906	5.361.546	2.648.088	6.010.371	10.473	110.177.863
<i>Residents in Turkey</i>	15.608.398	-	5.622.229	64.590.897	4.877.379	1.719.671	3.585.841	9.997	96.014.412
<i>Residents abroad</i>	3.421.513	-	701.339	6.203.009	484.167	928.417	2.424.530	476	14.163.451
Public sector deposits	2.909.252	-	3.985.750	3.029.023	395.542	232.072	7.988	-	10.559.627
Commercial inst. deposits	8.266.663	-	18.452.836	25.788.432	1.233.091	434.244	3.176.049	-	57.351.315
Other inst. deposits	1.046.700	-	674.832	8.370.166	2.934.724	865.690	2.681.793	-	16.573.905
Precious metals	6.004.651	-	12.691	1.032.628	185.750	41.060	64.655	-	7.341.435
Interbank deposits	5.961.576	-	8.686.477	12.676.637	265.123	6.379	-	-	27.596.192
<i>CBRT</i>	-	-	-	-	-	-	-	-	-
<i>Domestic banks</i>	102.686	-	4.873.617	8.447.885	-	6.379	-	-	13.430.567
<i>Foreign banks</i>	5.830.054	-	256.737	3.607.708	-	-	-	-	9.694.499
<i>Participation banks</i>	28.836	-	3.556.123	621.044	265.123	-	-	-	4.471.126
Total	52.438.343	-	41.127.047	168.033.933	15.671.153	4.992.736	15.358.206	112.758	297.734.176

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(1) Information on maturity structure of deposits / funds collected (continued):

b) Information on saving deposits in the scope of Saving Deposits Insurance Fund:

b.1. Amounts exceeding insurance limit:

b.1.1. Saving deposits under the guarantee of deposit insurance and exceeding the insurance limit:

Saving Deposits	Under the guarantee insurance		Exceeding the insurance limit	
	Current Period	Prior Period	Current Period	Prior Period
Saving deposits	40.658.997	36.907.556	41.052.809	30.985.259
Foreign currency saving deposits	26.409.982	18.785.110	62.180.270	39.155.466
Other deposits in the form of saving deposits	-	-	-	-
Foreign branches' deposits under foreign authorities' insurance	451.312	311.411	-	-
Off-shore banking regions' deposits under foreign authorities' insurance	-	-	-	-

b.1.2. Saving deposits at foreign branches are excluded from the scope of Saving Deposits Insurance Fund according to the related legislation, and are subject to insurance of foreign authorities in compliance with the foreign legislations.

c) Saving deposits which are not under the guarantee of deposit insurance fund:

	Current Period	Prior Period
Foreign branches' saving deposits and other accounts	240.769	225.517
Deposits and other accounts belonging to dominant partners as well as their fathers, mothers, spouses and children under their custody	-	-
Deposits and other accounts belonging to the chairman and members of the board of directors, general managers and deputy general managers as well as their fathers, mothers, spouses and children under their custody	3.510	3.188
Deposits and other accounts covered by assets generated through the offenses mentioned in Article 282 of the Turkish Penal Code No.5237 and dated 26.9.2004	-	-
Deposits in the banks to be engaged exclusively in offshore banking in Turkey	-	-

(2) Information on derivative financial liabilities:

Negative differences table related to the derivative financial liabilities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Forward transactions	2.578	91.888	-	26.993
Swap transactions	9.324	550.979	51	323.519
Future transactions	-	-	-	-
Options	-	2.392	283	2.872
Other	-	-	-	-
Total	11.902	645.259	334	353.384

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(3) Information on funds borrowed:

a) Information on Banks and other financial institutions:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Funds borrowed from CBRT	-	-	-	-
Domestic banks and institutions	424.055	2.129.468	530.197	1.969.879
Foreign banks, institutions and funds	-	9.131.391	-	8.516.765
Total	424.055	11.260.859	530.197	10.486.644

b) Maturity structure of funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Short-term	423.739	372.918	529.866	726.701
Medium and long-term	316	10.887.941	331	9.759.943
Total	424.055	11.260.859	530.197	10.486.644

c) Additional disclosures related to the concentrations of the Bank's major liabilities:

Concentrations, fund providing customers, sector groups and other criteria where risk concentration is observed:

Main liability of the Bank is deposits, which is composed of 18,61% of saving deposits and 33,65% of foreign currency deposits. In order to fulfill the short term liquidity requirements, the Bank borrows loans from interbank money markets.

The Bank's 41,25% of bank deposits and 41,73% of other deposits consist of foreign currency deposits.

(4) Marketable securities issued (net):

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Bills	4.317.495	-	4.682.528	-
Bonds	1.060.101	7.784.429	1.384.736	10.512.530
Assets Backed Securities	1.011.031	-	1.011.493	-
Total	6.388.627	7.784.429	7.078.757	10.512.530

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

- (5) Information on other liabilities:

Other liabilities balance does not exceed 10% of the balance sheet total.

(31 December 2019: Other liabilities balance does not exceed 10% of the balance sheet total).

- (6) Information on finance lease payables (Net):

- a) The general explanations on criteria used in determining installments of financial lease agreements, renewal and purchasing options and restrictions in the agreements that create significant obligations to the Bank:

In the financial lease agreements, installments are based on useful life, usage periods and provisions of the related accounting standards.

- b) Explanation on finance lease payables:

None.

- c) Explanations on operational leases:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Up to 1 year	44.645	42.242	46.461	41.583
1 - 4 years	175.128	154.913	200.231	165.000
More than 4 years	697.611	496.206	630.661	373.342
Total	917.384	693.361	877.353	579.925

- (7) Information on derivative financial liabilities for hedging purposes:

None.

- (8) Explanations on provisions:

- a) Provisions for the foreign currency losses on the principal amount of foreign currency indexed loans and finance lease receivables:

As of 30 September 2020 the Bank does not have a provision amount of the currency differences on foreign currency indexed loans and finance lease receivables (31 December 2019: None).

- b) Specific provisions provided for unindemnified non-cash loans:

As of 30 September 2020, the Bank's specific provision for unindemnified non-cash loans balance is TRY 138.102 (31 December 2019: TRY 114.712).

- c) Information on other provisions:

Total other provision balance amounting to TRY 609.819 (31 December 2019: TRY 557.583) consists of TRY 138.102 (31 December 2019: TRY 114.712) for specific provisions of unindemnified and unfunded non-cash loans, TRY 243.028 (31 December 2019: 172.593) for stage 1 and stage 2 expected credit loss amount of non-cash loans, TRY 102.490 (31 December 2019: TRY 76.714) for legal cases filed against the Bank, and TRY 126.199 (31 December 2019: TRY 193.564) of other provisions.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(9) Explanations related to tax liabilities:

a) Information on current tax liability:

a.1. Information on tax provision:

As of 30 September 2020, after deducting the temporary taxes paid during the period from the tax provisions, remaining corporate tax liability of the Bank is TRY 621.400 (31 December 2019: TRY 422.949).

a.2. Information on taxes payable:

	Current Period	Prior Period
Corporate tax payable	-	422.949
Income on securities tax	712.677	625.775
Property income tax	1.077	2.199
Banking and insurance transactions tax (BITT)	124.252	158.774
Foreign exchange transactions tax	31.910	4.360
Value added tax payable	-	-
Other	47.175	44.915
Total	917.091	1.258.972

a.3. Information on premiums:

	Current Period	Prior Period
Social insurance premiums-employee	25	22
Social insurance premiums-employer	33	28
Bank social aid pension fund premium-employee	19.623	14.605
Bank social aid pension fund premium-employer	30.542	21.370
Pension fund membership fees and provisions-employee	-	-
Pension fund membership fees and provisions-employer	-	-
Unemployment insurance-employee	1.426	1.057
Unemployment insurance-employer	2.821	2.083
Other	336	349
Total	54.806	39.514

b) Information on deferred tax liability:

	Current Period	Prior Period
Deffered Tax Asset (Liability)		
Provisions ⁽¹⁾	1.559.179	843.555
Valuation of Financial Assets	(1.611.102)	(736.461)
Other	(475.855)	(416.955)
Net Deffered Tax Asset (Liability)	(527.778)	(309.861)
Deffered Tax Accounting Under Equity	(149.687)	(203.421)
Fair Value of Security Internal Efficiency Market Value Difference Through Other Comprehensive Income	(13.878)	(66.750)
Actuarial Loss / Earning	14.965	14.965
Real Estate Revaluation	(150.774)	(151.636)

⁽¹⁾ Consists of employee rights obligations and other provisions.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(10) Information on liabilities regarding assets held for sale and discontinued operations:

None.

(11) Explanations on the number of subordinated loans the Bank used maturity, interest rate, institutions that the loan was borrowed from, and conversion option, if any^(*):

Information on Subordinated Loans	Current Period		Prior Period	
	TRY	FC	TRY	FC
To be included in the calculation of additional capital				
borrowings instruments	-	8.695.031	-	6.146.988
Subordinated loans	-	8.695.031	-	6.146.988
Subordinated debt instruments	-	-	-	-
Debt instruments to be included in contribution capital calculation	6.009.687	-	6.037.858	-
Subordinated loans	-	-	-	-
Subordinated debt instruments	6.009.687	-	6.037.858	-
Total	6.009.687	8.695.031	6.037.858	6.146.988

^(*)Detailed information is disclosed in Section Four Footnote I.

(12) Information on shareholders' equity:

a) Presentation of paid-in capital:

	Current Period	Prior Period
Common stock	2.473.776	1.250.000
Preferred stock	-	-

b) Application of registered capital system and registered capital ceiling amount:

There is an application of registered capital system and registered capital ceiling amount is TRY 10.000.000.

c) Information on share capital increases and their sources; other information on increased capital shares in the current period.

In accordance with the decision of the Board of Directors of the Bank dated 11 May 2020, the capital is increased, where the total sales proceeds through the capital increase shall amount to TRY 7.000.000, by the total nominal capital amount to be calculated based on the share sale price to be determined in accordance with the Wholesale Transactions Procedure of Borsa İstanbul A.Ş. with the Decision of the Capital Markets Board dated 14 May 2020. Accordingly, the recognition of the capital increase of TRY 1.223.776 on 20 May 2020 was realized on 21 May 2020, based on the permission obtained from the BRSA. The change made to the relevant Articles of Association was registered on 10 June 2020, and it was announced in the Trade Registry Gazette dated 15 June 2020 and numbered 10097.

After the increase, TRY 1.223.776 of nominal and TRY 5.776.224 of share premium, totaling a capital increase of TRY 7.000.000, have been recognized in the financial statements. Mentioned capital increase was made by the Bank's main shareholder Türkiye Varlık Fonu.

d) Information on additions from capital reserves to capital in the current period:

None.

e) Capital commitments in the last fiscal year and at the end of the following interim period, the general purpose of these commitments and projected resources required to meet these commitments:

None.

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II. EXPLANATIONS AND NOTES RELATED TO THE LIABILITIES (continued)

(12) Information on shareholders' equity (continued):

f) Information on the Bank's acquired shares:

Between 1 January – 30 September 2020, the Bank has resold previously acquired shares amounting to TRY 1.500 and repurchased shares amounting to TRY 18.339 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

g) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of these future assumptions on the Bank's equity due to the uncertainty of these indicators:

The Bank has sustainable profitability and equity structure. There are no uncertainties that would impact the current position.

h) Information on preferred shares:

None.

i) Information on marketable securities revaluation fund:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From subsidiaries, associates and jointly controlled entities (joint ventures)	1.311.625	696.358	2.337.040	512.845
Valuation differences	1.311.625	696.358	2.337.040	512.845
Exchange rate difference	-	-	-	-
Financial assets at fair value through other comprehensive income	144.945	(264.785)	342.755	(121.133)
Valuation differences	144.945	(268.302)	342.755	(115.287)
Exchange rate difference	-	3.517	-	(5.846)
Total	1.456.570	431.573	2.679.795	391.712

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ITEMS

(1) Information on off-balance sheet liabilities:

a) Amount and nature of irrevocable loan commitments:

Types of irrevocable commitments	Current Period	Prior Period
Commitments for credit card expenditure limits	27.951.228	16.709.743
Payment commitments for cheques	4.010.307	3.219.679
Loan granting commitments	4.124.710	3.061.215
Forward asset purchase and sale commitments	4.498.434	2.232.623
Forward deposit purchase and sale commitments	85.000	-
Commitments for credit cards and banking services promotions	22.878	24.943
Tax and fund liabilities from export commitments	116.157	83.156
Share capital commitments to associates and subsidiaries	-	-
Other irrevocable commitments	4.871.765	4.172.444
Total	45.680.479	29.503.803

b) Amount and nature of probable losses and commitments from the off-balance sheet items including the below mentioned:

b.1. Non-cash loans including bank bill guarantees and acceptances, guarantees substituting financial guarantees and other letters of credit:

	Current Period	Prior Period
Letters of credit	2.212.430	3.823.229
Bank acceptances	6.368.770	6.961.998
Other guarantees	4.123.682	2.713.220
Total	12.704.882	13.498.447

b.2. Certain guarantees, tentative guarantees, sureties and similar transactions:

	Current Period	Prior Period
Letters of certain guarantees	17.203.023	16.257.998
Letters of advance guarantees	5.133.023	4.382.365
Letters of tentative guarantees	1.458.130	713.001
Letters of guarantee given to customs offices	2.233.431	1.939.926
Other letters of guarantee	68.543.319	53.125.931
Total	94.570.926	76.419.221

c) Total non-cash loans:

	Current Period	Prior Period
Non-cash loans for providing cash loans	11.660.276	8.095.714
<i>Within one year or less original maturity</i>	831.989	1.646.649
<i>Within more than one year maturity</i>	10.828.287	6.449.065
Other non-cash loans	95.615.532	81.821.954
Total	107.275.808	89.917.668

d) Information on contingent liabilities and assets:

The Bank's commitments for the cheques given to customers are TRY 4.010.307 (31 December 2019: TRY 3.219.679).

e) Services provided on behalf of others:

None.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT

(1) Information on interest income:

a) Information on interest income on loans:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on loans⁽¹⁾				
Short term loans	4.018.598	292.215	7.604.345	428.614
Medium and long term loans	18.990.440	4.161.306	15.055.818	3.798.338
Interest on non-performing loans	363.019	-	551.361	-
Premiums from resource utilization support fund	-	-	-	-
Total	23.372.057	4.453.521	23.211.524	4.226.952

⁽¹⁾ Includes fees and commissions obtained from cash loans.

b) Interest received from banks:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
CBRT	119.940	-	209.722	33.000
Domestic banks	14.534	599	22.565	3.125
Foreign banks	6.012	1.838	15.889	21.176
Foreign headquarters and branches	-	-	-	-
Total	140.486	2.437	248.176	57.301

c) Interest income on marketable securities:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
From Financial Assets at Fair Value through Profit or Loss	2.037	4	7.211	1.082
Financial Assets at Fair Value through Other Comprehensive Income	2.853.577	175.541	1.022.254	97.071
Financial Assets Measured at Amortized Cost	6.217.676	957.000	5.781.828	595.408
Total	9.073.290	1.132.545	6.811.293	693.561

d) Interest income from subsidiaries and associates:

	Current Period	Prior Period
Interest income from subsidiaries and associates	157.965	106.149

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(2) Information on interest expenses:

a) Information on interest expense on funds borrowed:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Banks	36.850	149.851	40.915	170.114
<i>CBRT</i>	-	-	-	-
<i>Domestic banks</i>	36.850	49.503	40.915	34.702
<i>Overseas banks</i>	-	100.348	-	135.412
<i>Overseas head office and branches</i>	-	-	-	-
Other institutions	7	17.469	7	13.888
Total	36.857	167.320	40.922	184.002

b) Interest expenses to subsidiaries and associates:

	Current Period	Prior Period
Interest expenses given to subsidiaries and associates	20.489	453.397

c) Information on interest expenses to marketable securities issued:

	Current Period		Prior Period	
	TRY	FC	TRY	FC
Interest on securities issued	1.220.257	645.155	1.375.422	507.254
Total	1.220.257	645.155	1.375.422	507.254

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(2) Information on interest expenses (continued):

d) Maturity structure of interest expenses on deposits:

Account name	Current Period		Time deposits				Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
TRY								
Bank deposits	110	748.832	374.781	12.302	531	-	-	1.136.556
Saving deposits	134	368.300	3.573.350	410.155	56.793	361.275	8.023	4.778.030
Public deposits	48	491.700	179.147	29.220	23.952	558	-	724.625
Commercial deposits	743	1.896.760	2.669.815	164.549	41.714	511.747	-	5.285.328
Other deposits	1	189.534	903.031	141.328	38.590	165.287	-	1.437.771
7 days call accounts	-	-	-	-	-	-	-	-
Total	1.036	3.695.126	7.700.124	757.554	161.580	1.038.867	8.023	13.362.310
Foreign currency								
Deposits	76	67.063	691.219	34.544	22.677	63.304	-	878.883
Bank deposits	4	90.601	-	-	-	-	-	90.605
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	580	6.264	1.233	323	824	-	9.224
Total	80	158.244	697.483	35.777	23.000	64.128	-	978.712
Grand total	1.116	3.853.370	8.397.607	793.331	184.580	1.102.995	8.023	14.341.022

Account name	Prior Period		Time deposits				Cumulative deposit	Total
	Demand deposits	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	More than 1 year		
TRY								
Bank deposits	413	872.491	628.231	24.320	2.058	-	-	1.527.513
Saving deposits	96	353.571	6.038.707	901.125	273.399	226.592	8.977	7.802.467
Public deposits	59	286.673	453.645	130.141	54.142	2.441	-	927.101
Commercial deposits	20	1.378.377	2.363.896	322.458	301.115	276.197	-	4.642.063
Other deposits	2	67.708	756.460	541.924	141.948	76.297	-	1.584.339
7 days call accounts	-	-	-	-	-	-	-	-
Total	590	2.958.820	10.240.939	1.919.968	772.662	581.527	8.977	16.483.483
Foreign currency								
Deposits	62	256.411	1.371.965	126.199	50.445	118.295	-	1.923.377
Bank deposits	2	190.844	-	-	-	-	-	190.846
7 days call accounts	-	-	-	-	-	-	-	-
Precious metal	-	27	5.265	526	403	796	-	7.017
Total	64	447.282	1.377.230	126.725	50.848	119.091	-	2.121.240
Grand total	654	3.406.102	11.618.169	2.046.693	823.510	700.618	8.977	18.604.723

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(3) Information on trading profit/loss:

	Current Period	Prior Period
Profit	42.644.231	39.541.690
Profit from the capital market transactions	172.185	197.840
Profit on derivative financial transactions	8.417.986	6.867.689
Foreign exchange gains	34.054.060	32.476.161
Loss (-)	48.276.383	42.233.097
Loss from the capital market transactions	124.402	5.608
Loss from derivative financial transactions	4.931.010	9.104.032
Foreign exchange losses	43.220.971	33.123.457

(4) Information on other operating income:

	Current Period	Prior Period
Adjustments for prior period expenses	818.050	1.884.813
Income from the asset sale	229.039	68.290
Rent income	35.800	34.965
Other income	34.859	58.106
Total	1.117.748	2.046.174

(5) Impairment losses on loans and other receivables:

	Current Period	Prior Period
Expected Credit Losses	5.811.858	3.182.986
12 Month Expected Credit Loss (Stage 1)	730.508	317.293
Significant Increase in Credit Risk (Stage 2)	2.368.433	124.041
Defaulted Loans (Stage 3)	2.712.917	2.741.652
Marketable Securities Impairment Provision	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Financial Assets at Fair Value through Other Comprehensive Income	-	-
Impairment losses from associates, subsidiaries, jointly controlled entities	-	-
Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	25.846	21.215
Total	5.837.704	3.204.201

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (continued)

(6) Information on other operating expenses:

	Current Period	Prior Period
Reserve for employee termination benefits	115.714	87.893
Bank social aid provision fund deficit provision	-	-
Fixed assets impairment expense	-	-
Depreciation expenses of fixed assets	284.383	249.330
Intangible assets impairment expense	-	-
Goodwill impairment expense	-	-
Amortization expenses of intangible assets	59.834	30.598
Impairment expense for equity shares subject to the equity method accounting	-	-
Impairment expense of assets to be sold	-	-
Amortization expenses of assets to be sold	15.142	8.285
Impairment expense for property and equipment held for sale	-	-
Other operating expenses	1.669.185	1.369.899
<i>Leasing Expenses on TFRS 16 Exceptions</i>	66.708	63.494
<i>Maintenance expenses</i>	32.270	38.282
<i>Advertisement expenses</i>	142.317	142.576
<i>Other expenses</i>	1.427.890	1.125.547
Loss on sales of assets	208	25
Other	962.200	741.949
Total	3.106.666	2.487.979

(7) Information on profit/loss from continuing and discontinued operations before taxes:

The Bank's income before tax is due from continuing activities. The amount of profit before tax consists TRY 16.248.636 of net interest income (30 September 2019: TRY 6.814.540) and TRY 1.959.605 of net fees and commissions income (30 September 2019: TRY 2.049.620). The profit from continuing operations before tax of the Bank is amounting to TRY 2.554.819 (30 September 2019: TRY 855.160).

(8) Information on tax provisions for continuing and discontinued operations:

For the period then ended 30 September 2020, the Bank's tax provision amounting to TRY 464.652 (30 September 2019: TRY 68.590 tax benefit) consists of TRY 193.001 of current tax charge (30 September 2019: TRY 9.425), TRY 1.116.812 of deferred tax charge (30 September 2019: TRY 677.097), and TRY 845.161 of deferred tax benefit (30 September 2019: TRY 755.112).

(9) Information on net income/expense from continuing and discontinued operations after tax:

As of 30 September 2020, the Bank's net operating income after tax is amounting to TRY 2.090.167 (30 September 2019: TRY 923.750)

(10) Information on net profit/loss:

a) Income and expenses from ordinary banking operations:

There is no issue to be disclosed.

b) Effects of changes in accounting estimates on the current and future periods' profit/loss:

There is no issue to be disclosed.

(11) Other items in the income statement:

The other items under Fees and Commissions Received and Fees and Commissions Paid generally consist of credit cards, insurance and other banking transaction commissions.

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group:

a) Information on the Loans of the Bank's risk group:

Current period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	2.331.642	313.114	-	-	-	-
Closing balance	3.247.991	138.507	-	-	-	-
Interest and commissions income	157.965	461	-	-	-	-

Prior period:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
	Loans and other receivables					
Beginning balance	1.377.511	224.571	-	-	-	-
Closing balance	2.331.642	313.114	-	-	-	-
Interest and commissions income	106.149	1.178	-	-	-	-

b) Deposits held by the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)		Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
	Deposits					
Beginning balance	3.574.573	2.889.487	-	-	-	-
Closing Balance	455.190	3.574.573	-	-	-	-
Interest expense on deposits	13.608	444.558	-	-	-	-

TÜRKİYE HALK BANKASI AŞ
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FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

V. EXPLANATIONS RELATED TO THE RISK GROUP OF THE BANK (continued)

(1) Volume of the Bank's transactions with its risk group and outstanding loan and deposit balances as of the period-end, period income and expenses from the risk group (continued)

c) Forward and option contracts and similar transactions with the Bank's risk group:

Risk group	Subsidiaries, associates and jointly controlled entities (joint ventures)	Direct or indirect shareholders of the Bank		Other real and legal persons in the risk group	
		Current Period	Prior Period	Current Period	Prior Period
Financial Assets At Fv					
Through Profit And Loss					
Beginning balance	17.918	109.322	-	-	-
Closing Balance	-	17.918	-	-	-
Total Profit/Loss	(19)	6.020	-	-	-

(2) Disclosures for risk group:

a) The relations of the Bank with the entities controlled by the Bank and its related parties, regardless of whether there are any transactions or not:

In the normal course of its banking activities, the Bank conducted various business transactions with related parties at commercial terms and at rates which approximate market rates.

The Bank performs brokerage on the activities of Halk Yatırım Menkul Değerler AŞ within the scope of "the Brokerage Contract for Order Submission".

b) Besides the structure of relationship, nature of the transaction, amount and ratio to the total volume of transactions, amount of major items and ratio to all items, pricing policies and other factors:

	Amount	% compared to the amounts in the financial statements
Cash loans	3.247.991	0,74
Non-cash loans	138.507	0,13
Deposits	455.190	0,10
Forward and option contracts	-	-

Pricing of these transactions are in accordance with the general pricing policies of the Bank and are in line with market rates.

c) In cases whereby separate disclosure is not necessary, the total of similar items in order to present the total impact on the financial statements:

Explained in b).

d) Transactions accounted under the equity method:
None.

(3) Benefits given to the key management personnel:

Benefits given to the key management personnel are TRY 8.384 as of 30 September 2020 (30 September 2019: TRY 7.992).

VI. EXPLANATIONS RELATED TO THE SUBSEQUENT EVENTS

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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SECTION V: EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS (continued)

VII. OTHER EXPLANATIONS

An indictment was filed against the Bank on 15 October 2019 by the New York Southern District Attorney General of the United States Department of Justice, which repeated the allegations made in the case against the former executive of the Bank for violation of Iranian sanctions.

Initially, the Bank applied to the District Court on 4 November 2019, requesting a special appearance to discuss the issues of objection and denial of judicial jurisdiction, and rejection of the judge of the case. The District Court dismissed the request of the special appearance on 5 December 2019. The Bank appealed the District Court's decision to the Second Circuit Court of Appeals on 17 December 2019. The Second Circuit Court of Appeals dismissed the Bank's objection on 21 February 2020.

In the meeting held by the Bank's Board of Directors on 27 March 2020; it was decided to attend the hearing on 31 March 2020 in the District Court where the case will be discussed, to accept the notification of the case and to appoint Williams & Connolly law firm with a proxy to represent the Bank in the process.

At the hearing on 31 March 2020 held in the District Court; it has been decided to postpone the hearing initially to 9 June 2020 and subsequently to 30 June 2020 due to the global scale COVID-19 outbreak.

At the hearing held in the District Court on 30 June 2020; the timetable regarding the objection to the recusal motion, the requests for evidence and the submission of other requests has been determined, and it was decided that the jury hearing would be held on 1 March 2021. Accordingly, the Bank filed its motions to the District Court regarding the recusal of the judge on 14 July 2020, and regarding other requests attacking the face of the indictment on 10 August 2020.

District Court denied the Bank's motion regarding the recusal of the judge on 24 August 2020. The Bank appealed the District Court's decision to the Second Circuit Court of Appeals on 3 September 2020.

District Court denied the Bank's motion on attacking the face of the indictment on 1 October 2020. The Bank appealed for the motion on attacking the face of the indictment with regard to Foreign State Immunity (exemption from the jurisdiction of the USA courts) to the Second Circuit Court of Appeals. Within this framework, the Bank filed a motion to the District Court to suspend the hearings and cancel the current trial schedule, but the District Court denied this motion and postponed the trial calendar for 60 days. Accordingly, jury hearings will start on 3 May 2021 instead of 1 March 2021.

In addition, a civil lawsuit was filed against the Bank on 27 March 2020 with a claim for compensation by some plaintiffs in the U.S. New York Southern District Court "on the grounds that they could not satisfy their judgments from Iran due to violations of sanctions" and it was served to the Bank's lawyers on 1 July 2020. The Bank filed a motion to the court to dismiss the complaint of plaintiffs on 25 September 2020. The civil lawsuit action at the District Court is ongoing.

The prosecution process of both the criminal lawsuit and the civil lawsuit is closely monitored by the Bank through specialized US law firms.

The appeal process of the case which resulted in conviction for the defendant former executive of the Bank, who was released on 19 July 2019 and returned back to Turkey, is completed and the decision related to the first proceeding is approved.

TÜRKİYE HALK BANKASI AŞ
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SECTION VI: LIMITED REVIEW REPORT

I. EXPLANATIONS ON LIMITED REVIEW REPORT

The Bank's publicly available unconsolidated interim financial statements and footnotes as of 30 September 2020 have been reviewed by DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (Member of Deloitte Touche Tohmatsu Limited) and the independent auditors' review report dated 12 November 2020 is presented in front of the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITOR

None.

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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SECTION VII: INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES

Assessment of Chairman of the Board of Directors

Esteemed Stakeholders,

Leading international organizations are frequently updating their year-end growth estimates based on the recent developments in pandemic management. Although the rapid recovery lately observed in China created optimism regarding the global situation, we continue to receive news that slows down the overall adaptation to the new normal, especially from Western countries. As Turkey is one of the geopolitical hubs of global trade, we are significantly affected by these developments.

However, Turkey's economy is strong enough to easily manage these challenges, and 2021 will be a year when the global uncertainties of the past year will largely disappear. I believe that the measures we have taken throughout the year will have a positive effect on the real economy and that we will rebound with the relief that the improvements in vaccination and treatment will bring.

The New Economy Program announced by the Ministry of Treasury and Finance will provide guidance to the public and private sectors in this regard. Moreover, the support provided for the production of high value-added products and to exporting industries will increase the foreign currency income of the real sector in a new era where global supply chains are on the brink of tremendous change.

Esteemed Stakeholders,

Developed countries have rigorously analyzed the risks brought about by setbacks in their supply chains during the pandemic. They understand that commercial relations are not only related to price competition, but also to geographic proximity, political and social stability, transparency and good relations. Since cooperation with trusted suppliers like Turkey always has sustainable benefits, they are in search of something new.

With its technological expertise and strong commercial relations, Turkey is very strong in terms of international competition in certain sectors. I believe we have a strong potential, especially in manufacturing sectors such as automotive, chemical, textile, and machinery, which will pick up speed after fully adjusting to the new normal. I am sure that we will bounce back in these areas with the support of our banking system. And with the successful conclusion of our energy exploration efforts in line with our sovereign rights, I am very optimistic about the future of our economy.

Halkbank will continue to be an integral element of this process and will always support our economy. It will continue to work with determination and in harmony with the real sector, be a driver of public policies, and encourage all institutions in the banking system. Our activities, supported by the long financial experience of our stakeholders, will make a significant contribution to the future of our country, as they have done so far.

Once again, I thank all of our stakeholders who have trusted and supported our Bank during this period in which we will continue to work diligently.

Best regards,

R. Süleyman ÖZDİL
Chairman

(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

TÜRKİYE HALK BANKASI AŞ
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SECTION VII: INTERIM ACTIVITY REPORT

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESMENTS FOR THE INTERIM ACTIVITIES (continued)

Assessment of General Manager

Esteemed Stakeholders,

The process of adjusting to the new normal that began in June inspired optimism and boosted the momentum of the economy that had slowed down in the first half of the year due to the pandemic. Reopening of businesses, tourism partially returning and an increase in international manufacturing orders have improved the overall mood in the economy. Four months of consecutive increase in the industrial production index has affected the labor market positively. In September, we saw the largest rise in employment since February 2018. Moreover, as the summer months saw controlled loosening of quarantine measures taken in the second quarter, the end-of-year outlook for the Turkish economy has dramatically improved.

Our Bank has managed its financial assets in the most efficient way during the last period of the year and provided loan support to as many customers as possible. We've helped tradespeople and artisans keep afloat with our cash loans. The assistance we've provided to the tradespeople and artisans as part of our founding mission has brought us an Ahi-Order Service Award, presented by the Ministry of Trade.

We will continue to provide solutions to meet the needs of our customers of all sizes and industries. In addition to our pandemic programs, we've continued to support the real economy with innovative products. In the end, we gave up to 100.000 Turkish lira cash support for SMEs under the Micro Business Support Package. Our new products and services have further increased customer satisfaction along with our loan support.

The Paraf credit card, introduced eight years ago, is projected to grow rapidly. All Paraf credit and debit cards are now combined under one card thanks to a new feature. The potential of these products becomes clearer considering 5.2 million Paraf credit cards and 20 million Halkbank cards are in circulation. Our bank has issued more than one million Paraf Esnaf and Paraf SME cards. In the overall market, 16 percent of commercial cards are those of Halkbank. Our new initiatives in the commercial card segment will surely strengthen our market share.

Our team has gotten younger to meet our young customer base. I am certain that our young colleagues, who are part of the 82-year-old Halkbank experience, will adapt to our bank quickly and proudly serve our people with the help of their managers.

Esteemed Stakeholders,

As a result of our efforts during the last period of this year, our bank's total assets rose by 45.2 percent to 663.7 billion Turkish lira and total deposits increased by 48 percent to 440.6 billion Turkish lira compared to 2019 year-end. Moreover, our cash loans surged by 46.8 percent to 453.9 billion Turkish lira and our total loans grew by 40.6 percent to 561.2 billion Turkish lira. Our commercial loan volume, including SME loans, increased by 43.8 percent to 370.4 billion Turkish lira at the end of September and we achieved a 21.7 percent market share in SME banking during the period. Our net profit for the period outperformed the same period last year by 126.3 percent, reaching 2.1 billion Turkish lira.

We will continue to encourage our country's economic and social development while maintaining a robust balance sheet. We will keep supporting youth projects in all areas ranging from culture and arts to sports. We will push the Halkbank brand further with the help of our investors, customers and employees, and keep our place among Turkey's most powerful companies. We thank all stakeholders that worked with us during this period

Best regards,

Osman ARSLAN
General Manager

(*) Interim activity report information concerning amounts are unconsolidated and full TRY unless otherwise stated.

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SECTION VII: INTERIM ACTIVITY REPORT (continued)

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

Major Financial Information

Summary Balance Sheet (TRY Million)	September 2020	December 2019	Change (%)
Total Assets	663.675	457.045	45,2
Loans	453.924	309.208	46,8
<i>TRY</i>	354.083	223.887	58,2
<i>FC</i>	99.841	85.321	17,0
Marketable Securities	157.898	102.734	53,7
Deposit	440.615	297.734	48,0
<i>TRY</i>	256.906	166.473	54,3
<i>FC</i>	183.709	131.261	40,0
Total Equity	41.674	32.197	29,4

Summary Statement of Profit or Loss (TRY Million)	September 2020	September 2019	Change (%)
Interest Income	38.225	35.403	8,0
<i>On Loan</i>	27.826	27.438	1,4
<i>On Securities</i>	10.206	7.505	36,0
Interest Expense	21.976	28.589	(23,1)
<i>On Deposit</i>	14.341	18.605	(22,9)
Net Interest Income	16.249	6.815	138,4
Net Fee and Commission	1.960	2.050	(4,4)
Net Profit	2.090	924	126,3

Ratio (%)	September 2020	December 2019
Cash Loans/Total Asset	68,4	67,7
Non-Performing Loans/Total Cash Loans (Gross)	3,6	5,2
Demand Deposit/Total Deposit	20,0	17,6
Loan/Deposit Ratio	103,0	103,9
Average Return on Asset (ROA)	0,5	0,4
Average Return on Equity (ROE)	7,6	5,6
Capital Adequacy Ratio	15,4	14,3

TÜRKİYE HALK BANKASI AŞ
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

(Amounts expressed in thousand Turkish Lira (TRY) unless otherwise stated.)

SECTION VII: INTERIM ACTIVITY REPORT (continued)

I. INTERIM PERIOD ACTIVITY REPORT INCLUDED CHAIRMAN OF THE BOARD OF DIRECTORS AND CEO'S ASSESSMENTS FOR THE INTERIM ACTIVITIES (continued)

2020 Third Quarter Interim Developments

Significant Developments

- Our Bank has issued bonds with a par value of 3.686.000.000 Turkish lira to the qualified investors throughout this period.
- Between 1 July – 30 September 2020, our Bank has repurchased shares amounting to TRY 12.334.976 within the scope of the Board of Directors' decision dated 29 August 2018 and 17 March 2020.

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